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May 1, 2024

Electronically Filed in TPUC Docket Room on May 1, 2024 at 1:21 p.m.

VIA ELECTRONIC FILING

Hon. Herbert H. Hilliard, Chairman
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
TPUC.DocketRoom@tn.gov

RE: ***Petition of Tennessee-American Water Company to Modify Tariff, Change and Increase Charges, Fees, and Rates, and for Approval of a General Rate Increase***
TPUC Docket No. 24-00032

Dear Chairman Hilliard:

Pursuant to Tenn. Code Ann. § 65-5-101, *et seq.*, attached for filing please find the *Petition of Tennessee-American Water Company to Modify Tariff, Change and Increase Charges, Fees, and Rates, and for Approval of a General Rate Increase* (the "Petition"), including pre-filed testimony, exhibits, and other supporting documentation.[1]

The filing will include originals of the following: (1) the *Petition*; (2) the Verification of Robert C. Lane for Petition Collective Attachment 1 (Minimum Filing Guidelines); (3) notarized verification statements from the witnesses submitting Pre-Filed Testimony in support of the *Petition*, namely Grant Allen Evitts, Grady Stout, Kevin Kruchinski, Robert (Bob) C. Lane, Dominic J. DeGrazia, John M. Watkins, Robert J. Prendergast, Charles Rea, Heath J. Brooks, Nicholas Furia, Ann E. Bulkley, Patrick L. Baryenbruch, Robert V. Mustich, Harold Walker III, and Larry Kennedy; and (4) the revised tariff in support of the *Petition*, with an effective date of May 31, 2024.

Please note that this filing contains *Tennessee-American Water Company's Proposed Protective Order*. To ease the administrative burden upon the Commission and to ensure that it received a complete *Petition* as soon as possible, the Company is, with the *Petition*, submitting certain documents marked **CONFIDENTIAL and PROPRIETARY INFORMATION UNDER SEAL**. As such, this **CONFIDENTIAL INFORMATION** should not be placed on the

[1] For the Commission's convenience, two USB drives of the *Petition* and supporting documentation are enclosed. We intend to provide a USB drive containing all documents to the Consumer Advocate Division upon the entry of the Protective Order.

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Commission's website. We are requesting the Commission to act upon this Protective Order as expeditiously as possible.

In an abundance of caution, please note that the following documents are being submitted as **CONFIDENTIAL and PROPRIETARY INFORMATION UNDER SEAL**:

- Confidential Schedule RVM-1 to Direct Testimony of Robert V. Mustich
- Petitioner's Exhibit EXP-5-Labor-RP (TAWC 2024 Rate Case – Labor Exhibit-CONFIDENTIAL), related to the Direct Testimony of Robert J. Prendergast
- Minimum Filing Guidelines Responses to Questions No. 017 and its Attachments 1 and 2, No. 031 and its Attachment, No. 036 and its Attachment, No. 037 and its Attachments 1, 2, and 3, No. 038 and its Attachments 1, 2, 3, and 4, No. 040 and its Attachments 1, and 2, No. 046 and its Attachment 1, No. 047 and its Attachment 12 and 14, No. 061 and its Attachments 1 and 2, and No. 073 and its Attachments 1 and 2.

As required, the original plus four (4) hard copies of the *Petition* and supporting documentation will follow as well as a check in the amount of $25.00 for the required filing fee. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP

Melvin J. Malone

Attachments
cc: Bob Lane, TAWC
Karen H. Stachowski, Consumer Advocate Division
Vance Broemel, Consumer Advocate Division

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BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

PETITION OF TENNESSEE-AMERICAN WATER COMPANY TO MODIFY TARIFF, CHANGE AND INCREASE CHARGES, FEES, AND RATES, AND FOR APPROVAL OF A GENERAL RATE INCREASE	))))))	**DOCKET NO. 24- 00032**

PETITION

Pursuant to Tennessee Code Annotated § 65-5-101, *et seq.*, Tennessee-American Water Company ("Tennessee-American" or "Company"), a Tennessee corporation authorized to conduct a public utility business in the State of Tennessee, respectfully submits to the Tennessee Public Utility Commission ("Commission") this Petition of Tennessee-American Water Company to Modify Tariff, Change and Increase Charges, Fees, and Rates, and for Approval of a General Rate Increase ("Petition") and revised tariff to become effective, under TPUC Rule 1220-04-01-.04, upon thirty (30) days' notice, which is May 31, 2024, and requests that the Commission determine that the tariff modifications and increased rates as reflected in the revised tariff are just and reasonable. In support of this request, Tennessee-American states as follows:

Description of Tennessee-American

1. Tennessee-American is a public utility as defined in T.C.A. § 65-4-101 and provides residential, commercial, industrial, and municipal water service, including public and private fire protection service, to Chattanooga and surrounding areas, including more than 87,000 customers, and is subject to the jurisdiction of the Commission pursuant to Chapter 4 and Chapter 5 of Title 65 of the T.C.A. Tennessee-American also serves customers in North Georgia. The rates

for those customers are not regulated by the Georgia Public Service Commission but are instead regulated by this Commission.

2. Tennessee-American is a wholly-owned subsidiary of American Water Works Company, Inc., which is the largest water and wastewater holding company in the United States, providing water and wastewater services to 14 million people through regulated operations in 14 states and on 18 military installations.

3. Tennessee-American's principal place of business is located at 109 Wiehl Street, Chattanooga, Tennessee, 37403.

4. All correspondence and communication with respect to this Petition should be sent to the following:

Robert (Bob) C. Lane
Sr. Manager, Rates and Regulatory
Tennessee-American Water Company
109 Wiehl Street
Chattanooga, TN 37403
bob.lane@amwater.com
(T) 423-315-2748

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Request for and Description of Rate Increase

5. Tennessee-American's present base rates were set by the Commission's November 20, 2012, Order Approving Settlement Agreement ("2012 Rate Order") in TPUC Docket No. 12-00049 ("2012 Rate Case"), following the Company's Petition of June 1, 2012. Under the 2012 Rate Order, the rates were effective November 1, 2012. Revenue at the present rates also reflects

a 36.3% Capital Recovery Rider surcharge, as approved in TPUC Docket Nos. 19-00103 and No. 23-00018, an adjustment for the Tax Cuts and Jobs Act of 2016 ("TCJA") of 3.82%, and a Production Costs and Other Pass-Throughs Rider surcharge ("PCOP") of 4.39%. The PCOP estimate is pending in the Company's most recent PCOP filing in TPUC Docket No. 24-00003.

6. Tennessee-American is requesting an increase in rates because its existing rates for water service do not afford the Company a reasonable opportunity to recover its reasonable and prudent operating costs or to earn a just and reasonable rate of return on equity. Moreover, Tennessee-American should be granted a rate increase to support its provision of safe, clean, reliable, and affordable water service and fire protection service to customers. An increase in rates will support the Company in its efforts to maintain its facilities and provide services commensurate with both customers' reasonable expectations and the Commission's regulatory requirements, as well as allowing the Company to attract capital at reasonable rates.

7. Without rate relief, Tennessee-American will incur a revenue deficiency during the Attrition Year[1] of approximately $14.1 million. The revenue deficiency is comprised primarily of three components: approximately $7.3 million of capital investment, $3.7 million in increased operations & maintenance and general taxes expense, and $3.1 million in increased cost of capital. Notably, the Company has experienced $173 million in rate base growth since the 2012 Rate Case.

8. As shown in the supporting documentation, pre-filed testimony, and exhibits accompanying this Petition, based upon Tennessee-American's current rates during the Attrition Year, the Company would earn an estimated return on common equity of approximately 4.7%, less than half of the 10.0% authorized by the Commission in Tennessee-American's 2012 Rate Case. The projected return on common equity during the Attrition Year does not permit the

[1] The Attrition Year is the 12 months ending December 31, 2025.

Company to earn a just and reasonable return. Rather, and due to projected market conditions during the Attrition Year, Tennessee-American is requesting that it be permitted to earn a 10.75% return on common equity ("ROE"). This ROE produces a weighted average cost of capital ("WACC") or overall rate of return of 7.94% on a rate base of $305.1 million. The Incremental Capital Rider and Legacy Capital Recovery Rider will be reset to zero, as the new base rates will recover costs previously recovered through those mechanisms.

9. The revenue deficiency along with the other pro forma adjustments the Company has proposed result in a revenue requirement of approximately $85.9 million for the Attrition Year. Tennessee-American proposes that it be allowed to place into effect a consolidated customer rate structure, moving from seven rate areas with multiple customer classes to two rate areas and two customer classes (with exceptions for special contracts and private fire service). If the proposed rates are approved, the monthly bill for an average residential customer using 3,800 gallons would increase by approximately $4.24 per month.

10. Tennessee-American also proposes to update its tariff in this case to make the document text searchable, to update, clarify, and simplify language throughout the tariff, and to increase certain fees and to add one new charge for meter tampering.

11. In further support of its Petition, Tennessee-American has simultaneously filed the following direct testimony and their accompanying exhibits, which are incorporated herein by reference:

(a) Direct Testimony of **Grant Allen Evitts**, providing the basis for the Company's request to increase base rates and implement other tariff changes, including explaining how the Company's cost recovery proposals support the efficient use of

water and investment in the Company's system, as well as discussing the Company's economic development efforts and community engagement;

(b) Direct Testimony of **Grady Stout**, describing Tennessee-American's (1) operations, (2) water quality and source monitoring efforts, (3) proposed lead service line program, (4) safety performance, (5) operating and maintenance expense, (6) operating efficiencies, and (7) current and projected employee levels and market-based compensation;

(c) Direct Testimony of **Kevin Kruchinski**, explaining Tennessee-American's capital investment planning process and describing the Company's actual and projected capital investments from January 1, 2024, through December 31, 2025, and discussing emerging risks associated with the provision of public water service;

(d) Direct Testimony of **Robert (Bob) C. Lane**, discussing (1) the development of the Attrition Year, (2) the Company's revenue requirement, revenue deficiency, and average bill, (3) impacts on capital riders, (4) proposed tariff changes, and (5) select operations and maintenance ("O&M") expenses and regulatory treatment thereof;

(e) Direct Testimony of **Dominic J. DeGrazia**, supporting and explaining the Company's rate base, depreciation & amortization, production costs, taxes other than income, and maintenance expense;

(f) Direct Testimony of **John M. Watkins**, explaining and supporting the Company's O&M expenses associated with American Water Works Service Company, Inc. ("AWWSC" or the "Service Company"), Insurance Other Than Group ("IOTG"), customer accounting, contract services, transportation, and miscellaneous;

(g) Direct Testimony of **Robert J. Prendergast**, supporting and explaining the Company's O&M expenses for labor, labor-related items, and rents;

(h) Direct Testimony of **Charles Rea**, presenting the Company's affordability analysis and the proposed Universal Affordability Tariff and analyzing ongoing trends in customer usage;

(i) Direct Testimony of **Heath J. Brooks**, supporting and describing (1) the methods used to forecast water billing determinants and revenues for the test period and attrition year, (2) the methods used to develop the fully allocated cost of service study ("COSS"), and (3) the Company's proposed rate design;

(j) Direct Testimony of **Nicholas Furia**, presenting and explaining the recommended capital structure to be used for computing Tennessee-American's weighted average cost of capital ("WACC") of 7.94%;

(k) Direct Testimony of **Ann E. Bulkley**, providing a recommended authorized return on equity ("ROE") for Tennessee-American through the study of a proxy group of similar risk companies and assessing the reasonableness of the Company's capital structure for ratemaking purposes;

(l) Direct Testimony of **Patrick L. Baryenbruch**, providing an overview and detail of his evaluation of the necessity of services provided by the Service Company and the reasonableness of the Service Company's charges for those services;

(m) Direct Testimony of **Robert V. Mustich**, providing the reasonableness of the Company's compensation program, including performance compensation, as compared to national and regional peer groups;

(n) Direct Testimony of **Harold Walker, III**, presenting and recommending appropriate working capital allowances for inclusion in the Company's rate base through the use of a lead-lag study; and

(o) Direct Testimony of **Larry Kennedy**, presenting and explaining the Company's depreciation study.

12. Tennessee-American selected as the historical test year the 12 months ending December 31, 2023, and developed the Attrition Year as the 12 months ending December 31, 2025.

13. Tennessee-American submits that the proposed changes are necessary and will allow the Company to continue providing safe, clean, reliable, and affordable water service and fire protection service to customers. Tennessee-American's revised tariff is fair and reasonable and in the best interest of all parties and therefore should be approved.

14. As addressed in the Direct Testimony of Company Witness Mr. Lane, Tennessee-American is submitting with this Petition, as Collective Attachment 1, its responses to the Commission's Minimum Filing Guidelines for Rate Cases.

15. Subsequent to the submission of this Petition, Tennessee-American will formerly request the Commission to set and hold a public comment hearing in Chattanooga to provide an opportunity for Tennessee-American's customers to submit comments regarding the Petition, and the Company will work with the Commission to accomplish the same.

16. In order to ensure the timely submission of relevant information in this matter, Tennessee-American hereby requests the entry of a protective order similar to that approved in TPUC Docket No. 24-00011. Such a proposed protective order is attached hereto as **EXHIBIT A** to this Petition.

17. Due to the statutory timeframes associated with rate cases before the Commission, attached to the Petition as **EXHIBIT B** is a proposed Procedural Schedule for consideration by the Commission.

WHEREFORE, Tennessee-American respectfully requests:

1. That the Commission approve the proposed protective order simultaneously submitted with this Petition;

2. That the Commission schedule a hearing upon proper notice for the presentation of evidence as to the rates necessary to provide safe, clean, reliable, and affordable water service and fire protection service to its customers and to allow Tennessee-American the opportunity for a reasonable return on equity;

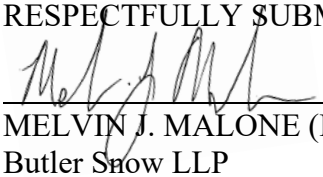
3. That the Commission find that Tennessee-American's existing rates are inadequate and that the new rates proposed by the Company are fair, just, and reasonable and in the public interest;

4. That the Commission approve Tennessee-American's revised tariff implementing the proposed rates to be effective, upon thirty (30) days' notice under TPUC Rule 1220-04-01-.04, on May 31, 2024;

5. That the Commission grant such other and/or further relief as may be warranted.

This the 1st day of May, 2024.

RESPECTFULLY SUBMITTED,



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PETITION EXHIBIT A

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

PETITION OF TENNESSEE-AMERICAN WATER COMPANY TO MODIFY TARIFF, CHANGE AND INCREASE CHARGES, FEES, AND RATES, AND FOR APPROVAL OF A GENERAL RATE INCREASE	))))))	**DOCKET NO. 24-00032**

PROPOSED PROTECTIVE ORDER

To expedite the flow of filings, discovery, exhibits and other materials, and to facilitate the prompt resolution of disputes regarding confidentiality of the material, adequately protect material entitled to be kept confidential and to ensure that protection is afforded only to material so entitled, the Hearing Officer, as appointed by the Tennessee Public Utilities Commission ("TPUC"), hereby orders the following:

1. For the purpose of this Protective Order (the "Order"), proprietary or confidential information, hereinafter referred to as "CONFIDENTIAL INFORMATION" shall mean documents and information in whatever form which the producing party, in good faith, deems to contain or constitute trade secrets, confidential commercial information, confidential research, development, financial statements, confidential data of third parties, or other commercially sensitive information, and which has been specifically designated by the producing party. A "Producing Party" is defined as the party creating the confidential information as well as the party having actual physical possession of information produced pursuant to this Order. All summaries, notes, extracts, compilations or other direct or indirect reproduction from or of any protected materials shall be entitled to protection under this Order. Documents containing CONFIDENTIAL

INFORMATION shall be specifically marked as "CONFIDENTIAL" on the cover and each page of the document. Any document so designated shall be handled in accordance with this Order. The provisions of any document containing CONFIDENTIAL INFORMATION may be challenged under Paragraph 12 of this Order.

2. Any individual or company subject to this Order, including producing parties or persons reviewing CONFIDENTIAL INFORMATION, shall act in good faith in discharging their obligations hereunder. Parties permitted to intervene in this matter after the date of entry of this Protective Order shall be subject to the terms and conditions of this Protective Order and will be allowed access to CONFIDENTIAL INFORMATION under the conditions prescribed herein.

3. CONFIDENTIAL INFORMATION shall be used only for the purposes of this proceeding, and shall be expressly limited and disclosed only to the following persons:

(a) Counsel of record for the parties and other legal counsel for the parties in this case and associates, secretaries and paralegals actively engaged in assisting counsel of record in this proceeding;

(b) TPUC Directors and members of the staff of the TPUC;

(c) Officers, directors, or employees of the parties, including employees of intervenors and the Office of the Tennessee Attorney General; provided, however, that CONFIDENTIAL INFORMATION shall be shown only to those persons having a need to know;

(d) Representatives of the parties who need to know because they are actively engaged in assisting counsel of record in preparing for this proceeding; and

(e) Outside consultants and expert witnesses (and their Staff) employed or retained by the parties or their counsel, who need access to CONFIDENTIAL INFORMATION solely for evaluation, testing, testimony, preparation for trial or other services related to this docket, provided that to the extent that any party seeks to disclose CONFIDENTIAL INFORMATION to any outside consultant or expert witness, the party shall give five (5) days written notice to the Producing Party of intention to disclose CONFIDENTIAL INFORMATION. During such notice period, the Producing Party may move to prevent or limit disclosure for cause, in which case no disclosure shall be made until the TPUC or the Hearing Officer rules on the motion. Any such motion shall be filed within three (3)

days after service of the notice. Any response shall be filed within three (3) days after service of the Motion. A Pre-Hearing Conference may be called to confer with the parties on the Motions to Limit Disclosure. All service shall be by hand delivery, facsimile or email. All filings by email in this docket shall be followed up by delivering a hard copy of the filing to the Docket Manager of the TPUC.

4. Notwithstanding the provisions in Paragraph 3 above, under no circumstances shall any CONFIDENTIAL INFORMATION be disclosed to or discussed with anyone associated with the marketing of products, goods, or services that may be in competition with the products, goods or services of the Producing Party. Counsel for the parties are expressly prohibited from disclosing CONFIDENTIAL INFORMATION produced by another party to their respective clients, except for in-house counsel and persons who need to know in order to assist counsel of record with preparation of this case.

5. (a) Prior to disclosure of CONFIDENTIAL INFORMATION to any employee or associate counsel for a party, the counsel representing the party who is to receive the CONFIDENTIAL INFORMATION shall provide a copy of this Order to the recipient employee or associate counsel, who shall be bound by the terms of this Order. Prior to disclosure of CONFIDENTIAL INFORMATION to any outside consultant or expert witness employed or retained by a party, counsel shall provide a copy of this Order to such outside consultant or expert witness, who shall sign the Nondisclosure Statement in the form of that attached to this Order attesting that he or she has read a copy of this Order, that he or she understands and agrees to be bound by the terms of this Order, and that he or she understands that unauthorized disclosure of documents labeled "CONFIDENTIAL" constitutes a violation of this Order. The Nondisclosure Statement shall be signed in the presence of and be notarized by a notary public. Counsel of record for each party shall provide the Producing Party a copy of each such Nondisclosure Statement and

shall keep the Nondisclosure Statements executed by the parties' experts or consultants on file in their respective offices.

(b) Disclosure of CONFIDENTIAL INFORMATION other than as provided for in this Protective Order shall not be made to any person or entity except with the express written consent of the Producing Party or upon further order of the TPUC or of any court of competent jurisdiction.

6. If any party or non-party subject to this Order inadvertently fails to designate documents as CONFIDENTIAL in accordance with the provisions of this Order when producing the documents this failure shall not constitute a waiver of confidentiality, provided the party or non-party who has produced the document shall notify the recipient of the document in writing within five (5) days of discovery of such inadvertent failure to designate the document as CONFIDENTIAL. At that time, the recipients will immediately treat the subject document as CONFIDENTIAL. In no event shall the TPUC, or any party to this Order, be liable for any claims or damages resulting from the disclosure of a document provided while not so labeled as "CONFIDENTIAL." An inadvertent failure to designate a document as CONFIDENTIAL, shall not, in any way, affect the TPUC's determination as to whether the document is entitled to CONFIDENTIAL status.

7. If any party or non-party subject to this Order inadvertently fails to designate documents as CONFIDENTIAL in accordance with the provisions of this Order when producing such documents and the failure is not discovered in time to provide a five (5) day notification to the recipient of the confidential nature of the documents referenced in the paragraph above, the failure shall not constitute a waiver of confidentiality and a party by written motion or by oral motion at a Pre-Hearing Conference or at the Hearing on the Merits may request designation of

the documents as CONFIDENTIAL, and if the motion is granted by the Hearing Officer or the Commission, the recipients shall immediately treat the subject documents as CONFIDENTIAL. The Tennessee Public Utilities Commission or the Hearing Officer may also, at his or her discretion, either before or during the Pre-Hearing Conference or Hearing on the Merits of the case, allow information to be designated CONFIDENTIAL and treated as such in accordance with the terms of this Order.

8. Any papers filed in this proceeding that contain, quote, paraphrase, compile or otherwise disclose documents covered by the terms of this Order, or any information contained therein, shall be filed and maintained in the TPUC Docket Room in sealed envelopes marked CONFIDENTIAL and labeled to reflect the style of this proceeding, the docket number, the contents of the envelope sufficient to identify its subject matter and this Protective Order. The envelopes shall be maintained in a locked filing cabinet. The envelopes shall not be opened or their contents reviewed by anyone except upon order of the TPUC or the Hearing Officer after due notice to counsel of record. The filing party shall also include with the filing a public version of the papers with any CONFIDENTIAL INFORMATION redacted. The public version shall reflect the style of the proceeding, the docket number, the contents of the envelope sufficient to identify its subject matter and shall reference this Protective Order. Notwithstanding the foregoing, the Directors and the Staff of the TPUC may review any paper filed as CONFIDENTIAL without obtaining an order of the TPUC or the Hearing Officer provided the Directors and Staff maintain the confidentiality of the paper in accordance with the terms of this Order.

9. Documents, information and testimony designated as CONFIDENTIAL or PROTECTED SECURITY MATERIALS (as defined in Paragraph 20) in accordance with this Order, may be used in testimony at the Hearing of this proceeding and offered into evidence or

used in any hearing related to this action in a manner that protects the confidentiality of the information, subject to the Tennessee Rules of Evidence and to such future orders as the TPUC or the Hearing Officer may enter. Any party intending to use documents, information, or testimony designated CONFIDENTIAL or PROTECTED SECURITY MATERIALS shall inform the Producing Party and the TPUC or the Hearing Officer prior to the Hearing on the Merits of the case, of the proposed use; and shall advise the TPUC or the Hearing Officer and the Producing Party before use of the information during witness examinations so that appropriate measures can be taken by the TPUC or the Hearing Officer to protect the confidential nature of the information.

10. Except for documents filed in the TPUC Docket Room, all documents covered by the terms of this Order that are disclosed to the requesting party shall be maintained separately in files marked CONFIDENTIAL and labeled with reference to this Order at the offices of the requesting party's counsel of record, kept in a secure place and returned to the Producing Party pursuant to Paragraph 17 of this Order.

11. Nothing herein shall be construed as preventing any party from continuing to use and disclose any information (a) that is in the public domain, or (b) that subsequently becomes part of the public domain through no act of the party, or (c) that is disclosed to it by a third party, where said disclosure does not itself violate any contractual or legal obligation, or (d) that is independently developed by a party, or (e) that is known or used by it prior to this proceeding. The burden of establishing the existence of (a) through (e) shall be upon the party attempting to use or disclose the information.

12. Any party may contest the designation of any document or information as CONFIDENTIAL or PROTECTED SECURITY MATERIALS by filing a Motion with the TPUC or Hearing Officer as appropriate, for a ruling that the documents, information or testimony should

not be so treated. Upon the filing of such a motion, the designating party shall bear the burden of supporting its designation of the documents or information at issue as CONFIDENTIAL INFORMATION. All documents, information and testimony designated as CONFIDENTIAL or PROTECTED SECURITY MATERIALS, however, shall be maintained as such until the TPUC or the Hearing Officer orders otherwise. A Motion to contest must be filed not later than fifteen (15) days prior to the Hearing on the Merits. Any Reply seeking to protect the status of CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS must be received not later than ten (10) days prior to the Hearing on the Merits and shall be presented to the Commission at the Hearing on the Merits for a ruling.

13. Nothing in this Order shall prevent any party from asserting any objection to discovery other than an objection based upon grounds of confidentiality.

14. Non-party witnesses shall be entitled to invoke the provisions of this Order by designating information disclosed or documents produced for use in this action as CONFIDENTIAL, in which event the provisions of this Order shall govern the disclosure of information or documents provided by the non-party witness. A designation of information as CONFIDENTIAL by a non-party witness may be challenged under Paragraph 12 of this Order.

15. No person authorized under the terms herein to receive access to documents, information, or testimony designated as CONFIDENTIAL shall be granted access until such person has complied with the requirements set forth in Paragraph 5 of this Order.

16. Any person to whom disclosure or inspection is made in violation of this Order shall be bound by the terms of this Order.

17. Upon entry of a final order in this proceeding and conclusion of any appeals resulting from such an order, except as to the Attorney General and TPUC, all the filings, exhibits

and other materials and information designated CONFIDENTIAL or PROTECTED SECURITY MATERIALS and all copies thereof shall be returned to counsel of the Producing Party within fifteen (15) days. Notwithstanding any provision herein to the contrary, the requirement of this paragraph shall become operative immediately upon any intervenor who withdraws or otherwise ceases to be a party to the case, even though the case itself may continue to be pending. Subject to the requirements of Paragraph 8 above, the TPUC shall retain copies of information designated as CONFIDENTIAL or PROTECTED SECURITY MATERIALS as may be necessary to maintain the record of this case intact. Counsel who received the filings, exhibits and other materials, designated as CONFIDENTIAL or PROTECTED SECURITY MATERIALS shall certify to counsel for the Producing Party that all the filings, exhibits and other materials, plus all copies or extracts, notes or memorandums from the filings, exhibits and other materials, and all copies of the extracts from the filings, exhibits and other materials thereof have been delivered to counsel for the Producing Party or destroyed and that with respect to any electronic copies of CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS received or mentioned by the receiving party, all reasonable efforts have been undertaken to eliminate said information. If any electronic CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS cannot be eliminated through the use of reasonable efforts, any such remaining materials shall be subject to the continuing restrictions contained in paragraph eighteen (18) of this Order.

18. After termination of this proceeding, the provisions of this Order relating to the confidential nature of CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS, information and testimony shall continue to be binding upon parties herein and their officers, employers, employees, agents, and/or others unless this Order is vacated or modified

or is supplanted by an order of the court or courts before which is pending a challenge to any order entered in this proceeding.

19. Nothing herein shall prevent entry of a subsequent order, upon an appropriate showing, requiring that any documents, information or testimony designated as CONFIDENTIAL shall receive protection other than that provided herein.

20. In addition to the other provisions of this Order, Tennessee-American Water Company (the "Company") may designate and label as "PROTECTED SECURITY MATERIALS" documents and information related to security measures undertaken to protect public health and safety. The Company shall provide access to PROTECTED SECURITY MATERIALS to TPUC Directors and members of the staff of the TPUC and further only to authorized representatives of the Intervenors in this docket.

21. The Company shall provide access to an authorized representative to PROTECTED SECURITY MATERIALS only after such authorized representative has executed a Nondisclosure Statement in the form of that attached to this Order and provided a copy to the Company. Except, with consent of the Company: (i) access shall be at the offices of the Company or its counsel of record and under supervision of the Company; (ii) PROTECTED SECURITY MATERIALS shall not be removed from the offices of the Company or its counsel; (iii) no copies shall be provided to an authorized representative except as provided herein. Authorized representatives may make notes or memoranda from a review of the PROTECTED SECURITY MATERIALS and may remove such notes and memoranda. In all other respects such notes and memoranda shall remain PROTECTED SECURITY MATERIALS and subject to the provisions hereof. PROTECTED SECURITY MATERIALS shall be used only to assist TPUC staff or any other party to prepare

for and to try this proceeding and shall not be used for any other purpose in this or any other jurisdiction.

22. Except as provided in this Order, the contents of PROTECTED SECURITY MATERIALS to which the TPUC staff or other party is given access, and any notes, memoranda, or any form or information or opinions regarding or derived from the PROTECTED SECURITY MATERIALS shall not be disclosed to anyone other than an authorized representative in accordance with the Order, except that an authorized representative may disclose his or her conclusions or findings solely within, and for the purposes of, this proceeding and in accordance with this Order. PROTECTED SECURITY MATERIALS shall not otherwise be published, disclosed or divulged except as expressly provided herein. The TPUC Directors, TPUC staff and any other party shall treat all notes memoranda or opinions regarding or derived from the PROTECTED SECURITY MATERIALS as confidential and shall keep them in a secure location with access limited to an authorized representative, and the contents of PROTECTED SECURITY MATERIALS and any information derived from them shall be considered highly confidential, and shall not be deemed public records. The TPUC staff, any party, Hearing Officer, or the TPUC Directors may discuss any position or conclusion regarding security expenditures and testimony in briefs, orders, pleadings, or hearings in this proceeding without disclosing protected information to the public in accordance with this Order.

23. The Attorney General and his staff have authority to enter into Nondisclosure Agreements pursuant to Tenn. Code Ann. § 65-4-118 which are consistent with state and federal law, regulations and rules.

24. The Attorney General and his staff agree to keep CONFIDENTIAL INFORMATION in a secure place and will not permit them to be seen by any person who is not

an employee of the State of Tennessee, the Office of Attorney General and Reporter, or a person who has not signed a Nondisclosure Agreement.

25. The Attorney General and his staff may make copies of CONFIDENTIAL INFORMATION or any portion thereof. To the extent permitted by state and federal law, regulations and rules, all notes utilizing supporting information shall be subject to the terms of this Order to the extent factual assertions are derived from the supporting information.

26. To the extent permitted by state law, the Attorney General will provide timely notice of filing or disclosure in the discharge of the duties of the Office of the Attorney General and Reporter, pursuant to Tenn. Code Ann. § 10-7-504(a)(5)(C) or any other law, regulation or rule, so that the Company may take action relating to disclosure.

27. CONFIDENTIAL INFORMATION is subject to this Protective Order, which is entered pursuant to the Tennessee Rules of Civil Procedure. If any person or entity subject to this Protective Order receives a request or subpoena seeking the disclosure or production of information labeled as "CONFIDENTIAL INFORMATION" by a party, such person or entity shall give prompt written notice to the TPUC Hearing Officer and the party within not more than five (5) days of receiving such a request, subpoena or order and: (i) shall respond to the request, subpoena or order, in writing, stating that the CONFIDENTIAL INFORMATION is protected pursuant to this Protective Order; and (ii) shall not disclose or produce such CONFIDENTIAL INFORMATION unless and until subsequently ordered to do so by a court of competent jurisdiction. This Protective Order shall operate as an exception to the Tennessee Public Records Act, as set forth in the language of Tenn. Code Ann. § 10-7- 503(a) ". . . unless otherwise provided by state law." (See, e.g., Ballard v. Herzke, 924 S.W.2d 652 (Tenn. 1996); Arnold v. City of Chattanooga, 19 S.W.3d 779 (Tenn. Ct. App. 1999) (holding that "state law" includes the

Tennessee Rules of Civil Procedure)). Because this Protective Order is issued pursuant to the Tennessee Rules of Civil Procedure, this Order creates an exception to any obligations of the Attorney General, including attorneys and members of theirs, as to the Public Records Act and other open records statutes as to CONFIDENTIAL INFORMATION. In the event that any court of competent jurisdiction determines in the course of a lawsuit brought as a result of a person's or entity's fulfillment of the obligations contained in this paragraph that information designated as "CONFIDENTIAL INFORMATION" by a party is not CONFIDENTIAL INFORMATION as defined in paragraph 1 of this Protective Order, then the party designating the information as "CONFIDENTIAL INFORMATION" shall be responsible for all costs associated with or assessed in the lawsuit. This Protective Order acknowledges the role and responsibilities of the Attorney General and the Attorney General's staff, as set forth in Title 8, Chapter 6 of the Tennessee Statutes, beyond the duties associated with the Consumer Advocate and Protection Division, as prescribed in Tenn. Code Ann. § 65-4-118. This Protective Order is not intended to conflict with the Attorney General's role and responsibilities, especially the investigative functions, as set forth in Title 8, Chapter 6. For there to be compliance with this Protective Order, any CONFIDENTIAL INFORMATION shared outside of the Consumer Advocate and Protection Division must be provided the full and complete protection afforded other confidential or protected information in the control and custody of the Attorney General.

28. The designation of any information, documents or things in accordance with this Order as constituting or containing confidential or proprietary information the Attorney General's, or their respective staff's, treatment of such material as confidential or proprietary in compliance with this Order is not an admission or agreement by the Attorney General, or their respective staff, that the material constitutes or contains confidential commercial information or trade secret

information and shall not be deemed to be either a waiver of the right to challenge such designation or an acceptance of such designation. The Company agrees to designate information, documents or things provided to the Attorney General as confidential commercial information or trade secret if it has a good faith basis for the claim. The Company will upon request of the Attorney General, or their respective staff, provide a written explanation of the details, including statutory authority, that support its confidential commercial information or trade secret claim within five (5) days of a written request. The Company also specifically agrees that it will not designate any documents as CONFIDENTIAL INFORMATION or label such documents as "CONFIDENTIAL" if the documents:

(a) have been distributed to the public, consumers or others, provided that proprietary customer information provided by the Company to its customers or their marketers may be designated as CONFIDENTIAL INFORMATION; or

(b) are not maintained by the Company as confidential commercial information or trade secrets or are not maintained by the Company as proprietary customer information.

29. Nothing in this Order shall prevent the Attorney General from using the CONFIDENTIAL INFORMATION received for investigative purposes in the discharge of the duties of the Office of the Attorney General and Reporter. Additionally, nothing in this Order shall prevent the Attorney General from informing state officials and third parties of the fact of an investigation, as needed, to conduct the investigation. Without limiting the scope of this paragraph, nothing in this Order shall prevent the Attorney General from contacting consumers whose names were provided by the Company or from discussing with any consumer any materials that he or she

allegedly received from the Company or confirming that a consumer actually received the materials, to the extent that the Attorney General or his staff does so in a manner that complies with the provisions of this Order.

30. The terms of the foregoing paragraphs 23 through 29 do not apply to PROTECTED SECURITY MATERIALS as set forth in paragraphs 20-22 of this Order. PROTECTED SECURITY MATERIALS shall be treated in accordance with paragraphs 20-22.

31. All information, documents and things designated as CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS and produced in accordance with this Order may be disclosed in testimony or offered into evidence at any TPUC or court hearing, trial, motion or proceeding of this matter, subject to the provisions of this Order, including paragraph 9, and the applicable Rules of Evidence. The party who produced the information, documents and things designated as CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS agrees to stipulate to the authentication of such information, documents and things in any such proceeding.

32. Nothing in this Order is intended to restrict or alter federal or state laws, regulations or rules.

33. Any person who has signed a Nondisclosure Statement or is otherwise bound by the terms of this Order shall continue to be bound by this Order and/or Nondisclosure Statement even if no longer employed or engaged by the TPUC or Intervenors.

IT IS HEREBY ORDERED.

_____

Hearing Officer

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

PETITION OF TENNESSEE-AMERICAN WATER COMPANY TO MODIFY TARIFF, CHANGE AND INCREASE CHARGES, FEES, AND RATES, AND FOR APPROVAL OF A GENERAL RATE INCREASE	**)**	**DOCKET NO. 24-00032**

NONDISCLOSURE STATEMENT

I have reviewed the Protective Order entered in the above-captioned matter and agree to abide and be bound by its terms. I understand that unauthorized disclosure of information or documents labeled "CONFIDENTIAL" or "PROTECTED SECURITY MATERIALS" will be a violation of the Protective Order.

_____ _____

DATE NAME

STATE OF _____)

COUNTY OF _____)

Personally appeared before me, _____, a Notary Public, _____, with whom I am personally acquainted, who acknowledged that he/she executed the within instrument for the purposes therein contained.

WITNESS my hand, at office, this _____ day of _____, 2024.

_____

NOTARY PUBLIC

My Commission Expires:_____

PETITION EXHIBIT B

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

PETITION OF TENNESSEE-AMERICAN WATER COMPANY TO MODIFY TARIFF, CHANGE AND INCREASE CHARGES, FEES, AND RATES, AND FOR APPROVAL OF A GENERAL RATE INCREASE	))))))	**DOCKET NO. 24-000032**

TENNESSEE-AMERICAN WATER COMPANY'S
PROPOSED PROCEDURAL SCHEDULE

Due Date / Deadline	Filing / Activity
May 1, 2024	Petition Submitted to Commission
June 3, 2024	Intervenors' First Discovery Requests
June 19, 2024	Petitioner's Responses to Discovery Requests
July 1, 2024	Intervenors' Second Discovery Requests
July 16, 2024	Petitioner's Responses to Second Discovery Requests
August 16, 2024	Intervenors' Pre-Filed Testimony
August 23, 2024	Petitioner's Discovery Requests to Intervenors
September 9, 2024	Intervenors' Responses to Discovery Requests
September 18, 2024	Petitioner's Rebuttal Testimony
September 26, 2024	Pre-Hearing Motions
October 3, 2024	Status Conference
October 2024[1]	**Target Hearing Date**

- ❖ All discovery exchanged between the parties shall be filed in the TPUC docket file within 3 working days.
- ❖ All spreadsheets filed in discovery responses shall be in Excel format with working formulas intact.

[1] The parties can submit, and the Commission may adopt, specific October dates for the hearing as schedules and availability are determined subsequent to the filing of the Petition.

- ❖ Any pre-filed testimony shall include all supporting worksheets in Excel format with working formulas intact. To the extent that any pre-filed testimony or other filing prior to the date of the Order implementing this Procedural Schedule has been made without supporting worksheets in Excel format with working formulas intact, the filing Party shall comply with this requirement within 3 days of the Order implementing Procedural Schedule.

- ❖ Rebuttal Testimony should be limited to issues raised in the Intervenors' Direct Testimony. Rebuttal Testimony should include the page and line number of the Intervenors' testimony that is being rebutted.

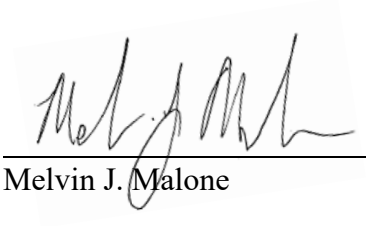
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Vance L. Broemel, Esq.
Managing Attorney
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Vance.Broemel@ag.tn.gov

Karen H. Stachowski, Esq.
Deputy Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Karen.Stachowski@ag.tn.gov

This the 1st day of May 2024.



Melvin J. Malone

COLLECTIVE ATTACHMENT 1

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Grady Stout

Question 001

If material to TAWC's cost or level of service in Tennessee, please provide a comprehensive discussion of all abnormal conditions or changes in condition that (a) occurred during the last three years or (b) are reasonably anticipated to occur up to the anticipated hearing date in this case. Explain how these changes will affect TAWC's operations going forward. The discussion should include, but not be limited to the following:

a. Management changes
b. Operational changes
c. Administrative changes
d. Recent or pending mergers, consolidations, or acquisitions
e. Major changes in sales or transportation volumes
f. Pending negotiations for possible changes in sales or transportation volumes to any current or prospective commercial or industrial customer
g. Changes in pipeline allocations
h. Labor contracts and/or Union problems
i. Expenses

Response:

a. A change in State President and two changes in the VP of Operations - these changes have no material impact to TAWC's cost or level of service.

- Grant A. Evitts assumed the role of State President in November, 2020.
- Doug Wagner assumed the role of Vice President of Operations in June, 2021.
- Grady Stout assumed the role of Vice President of Operations in February, 2024.

b. There have been no significant changes to TAWC's operations in the last three years.
c. There have been no significant administrative changes in TAWC's in the last three years.
d. The Jasper Highlands system was acquired on December 31, 2021.
e. TAWC added one new sale for resale customer, Walker County, in 2022.
f. No negotiations or possible changes in contracts for sales or transportation volumes.
g. Not applicable to water utilities.
h. TAWC employees covered by a Collective Bargaining Agreement ("CBA") is set to expire in 2025.
i. As described in the petition, testimony and exhibits to the rate increase request, TAWC has experienced increases and also decreases in a number of operating and maintenance expenses. These are discussed in greater detail in the direct testimony by the Company witnesses.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Grady Stout

Question 002

State the effect that each of the applicable changes discussed in the preceding question 1 has had or will have on TAWC's, its Parent's, Multi-State Utility's, or Affiliated Utility Service Company's, revenues, expenses, rate base, and capital structure, including TAWC's, its Parent's, Multi-State Utility's, or Affiliated Utility Service Company's, method of allocating each change among its regulated, unregulated, and jurisdictional operations.

Response:

Any changes mentioned in the response to TAWC MFG Q001 have been undertaken to improve the service provided by the Company and the financial impacts are fully embedded into the cost-of-service elements supporting the rate increase requested in this proceeding. The changes have had no impact on the method of allocating costs to the regulated and unregulated subsidiaries of AWW, including TAWC.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

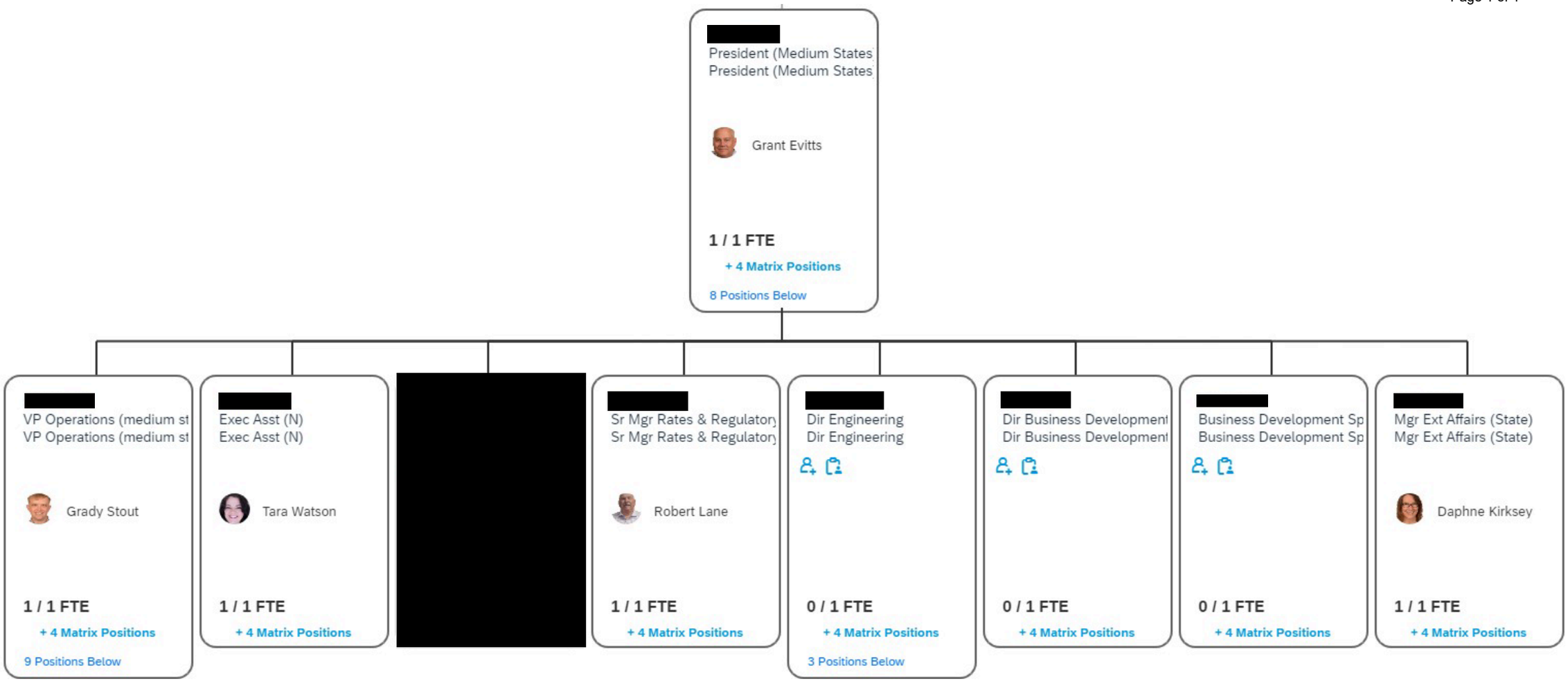
Responsible Witness: Bob Lane

Question 003

Provide a current organizational chart for TAWC and, if applicable, its Parent, Multi- State Utility, or Affiliated Utility Service Company, showing for each officer (or any other key personnel) of TAWC, its Parent, Multi-state Utility, or Affiliated Utility Service Company: (a) the department(s) they head, and (b) to whom they report, from department or office level up. Only officers and key personnel, all or some portion of whose compensation is sought to be recovered from Tennessee ratepayers, must be included in the chart.

Response:

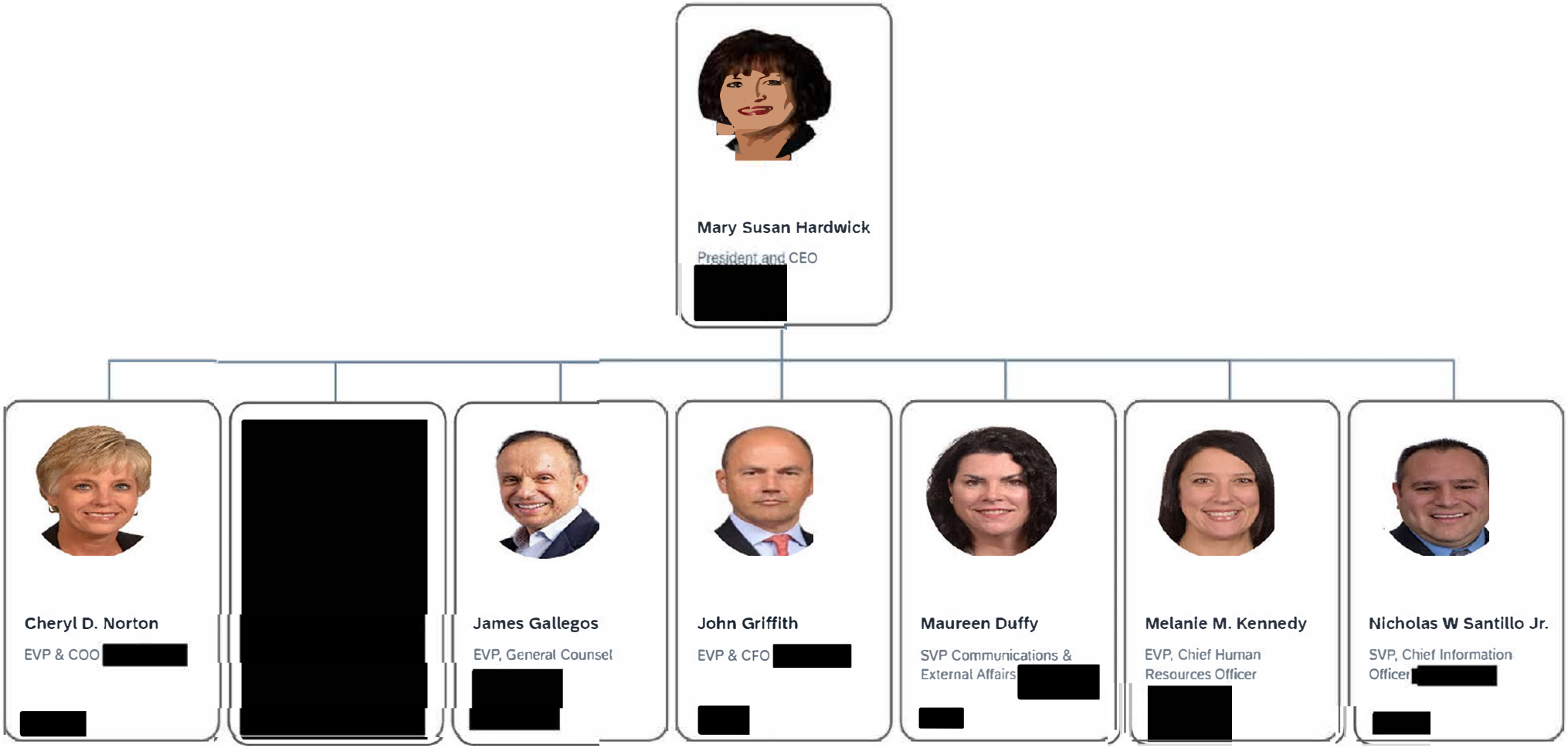
Please see 2024 TAWC MFG Q003_Attachment 1 and Attachment 2. Please note that non-office/non-key personnel and employee numbers have been redacted from the attachments.



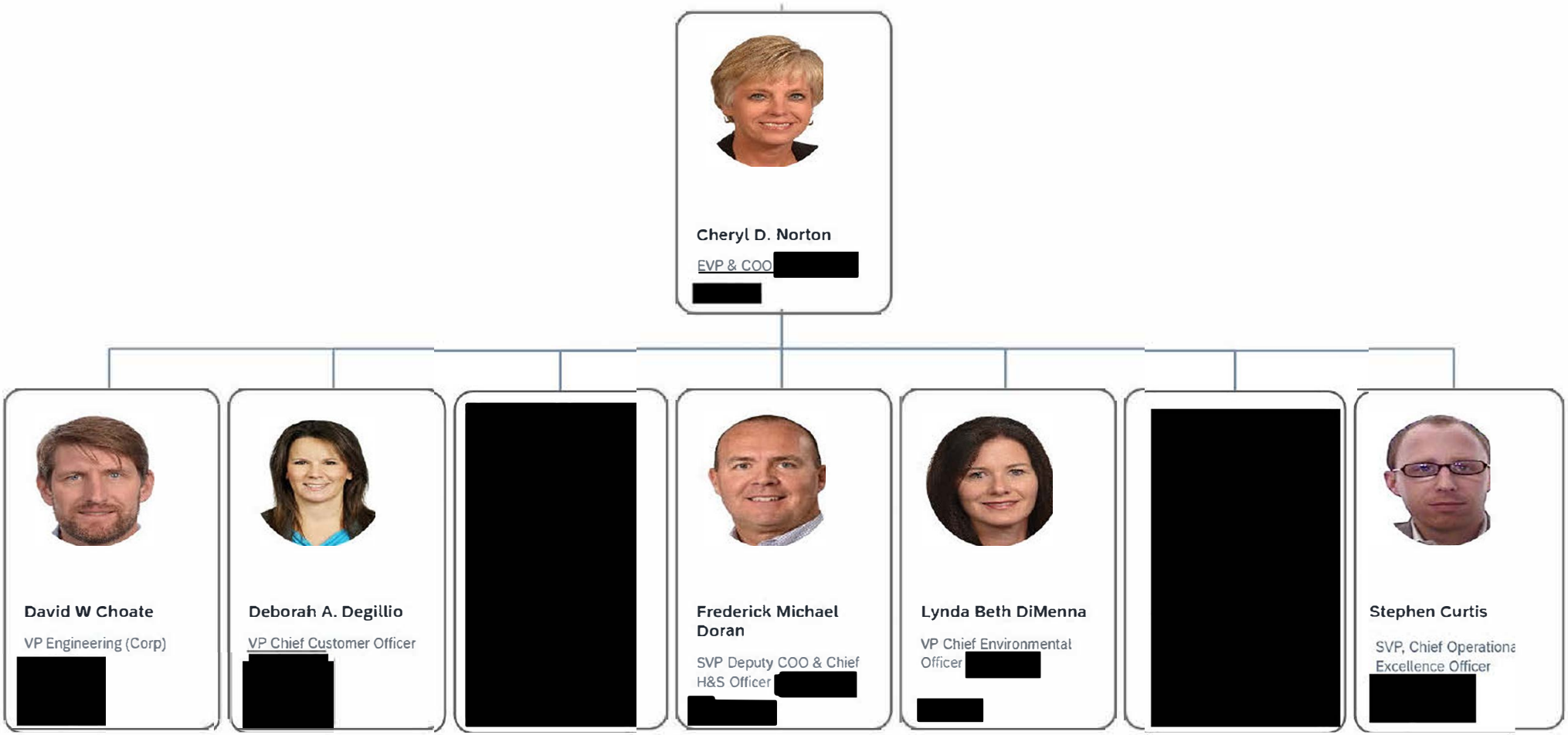
Vacant positions that are in the recruitment process:

- Dir Engineering
- Dir Business Development
- Business Development Specialist

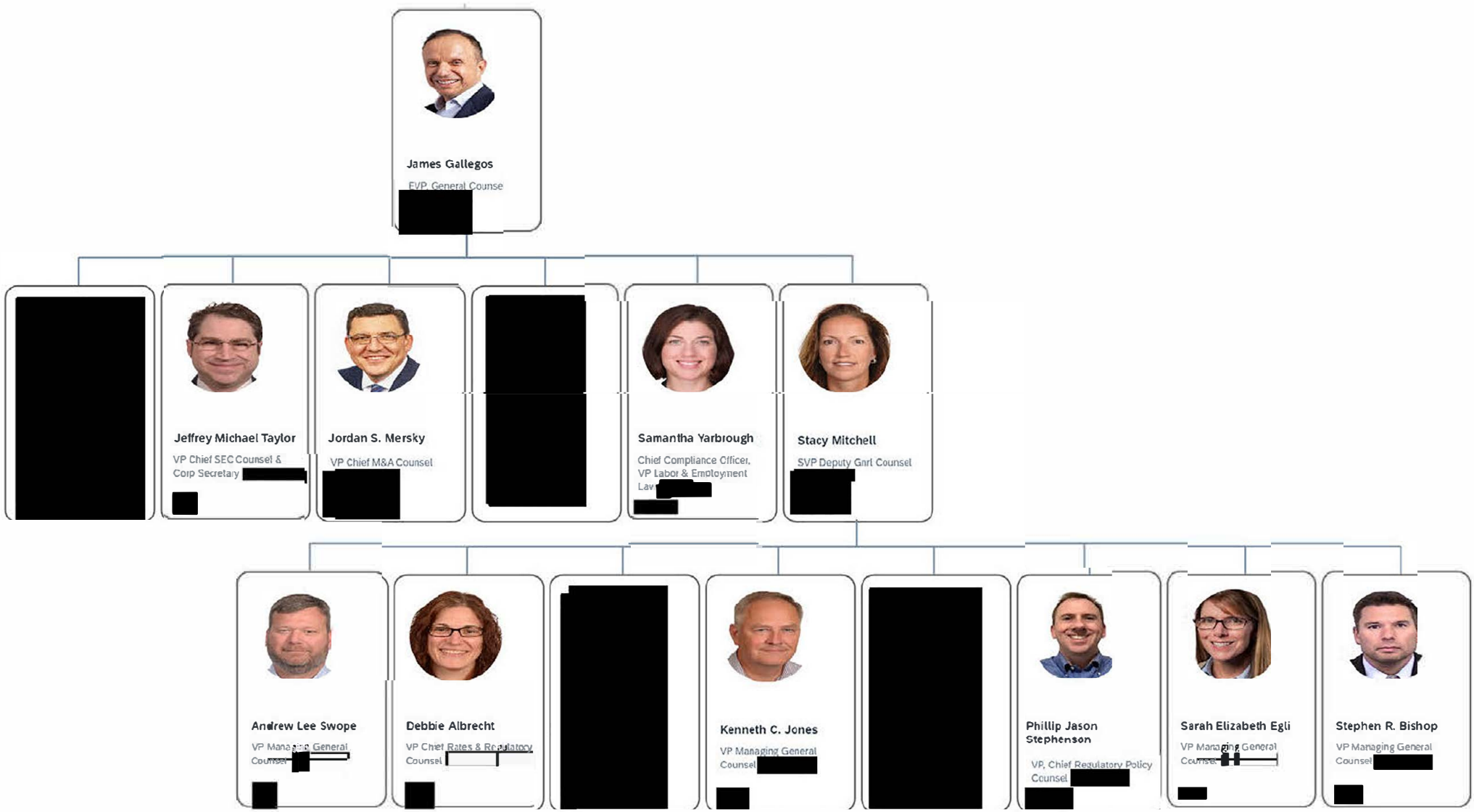
Org Chart: Mary Hardwick



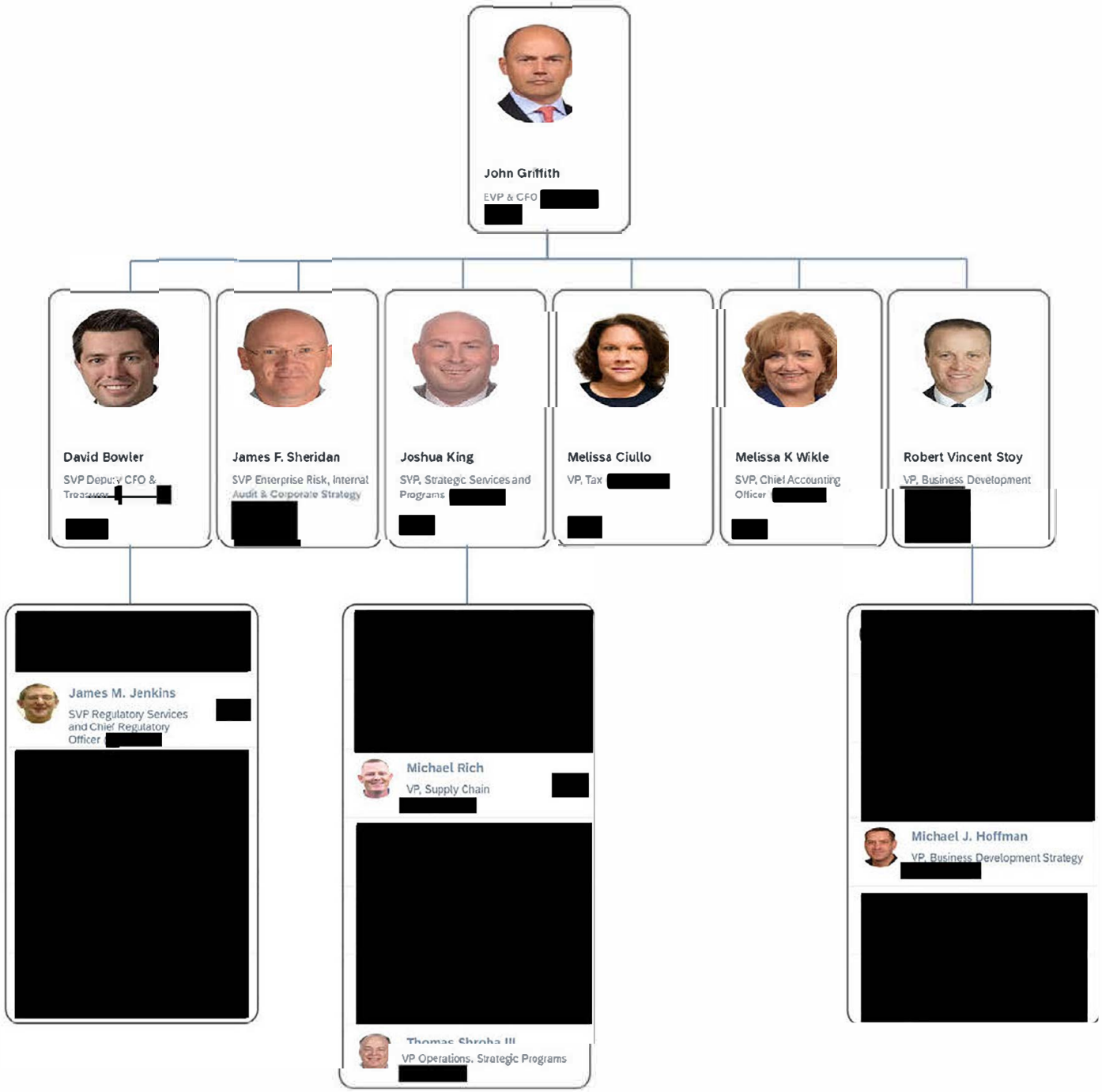
Org Chart: Cheryl Norton



Org Chart: James Gallegos



Org Chart: John Griffith



Org Chart: Maureen Duffy



Maureen Duffy

SVP Communications & External Affairs [redacted]

[redacted]



Aaron Musgrave

VP Investor Relations

[redacted]

[redacted]



Christine Keck

VP National Govâ□□t & Regulatory Affairs

[redacted]

[redacted]

[redacted]

Org Chart: Melanie Kennedy



Melanie M. Kennedy

EVP, Chief Human Resources Officer

[redacted]



Aaron Martin

VP Total Rewards

[redacted]

[redacted]



Marianne L. Taylor

VP, Employee Experience & Talent Development

[redacted]



Martin Falkenberg

SVP, Deputy CHRO

[redacted]

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Bob Lane

Question 004

Provide six (6) copies of the Annual Stockholder Reports, the 10K reports, and 10 Q reports for TAWC, its Parent, Multi-state Utility, or Affiliated Utility Service Company, for the last three (3) years.

Response:

Please refer to Attachments 2024 TAWC MFG Q004_Attachment 01 through 2024 TAWC MFG Q004_Attachment 18 as noted below for the most recent Stockholder Reports, 10K reports, 10Q reports and TAWC unaudited financial statements.

Attachments:

2024 TAWC MFG Q004_Attachment 01 (AW 2021 Annual Report)
2024 TAWC MFG Q004_Attachment 02 (AW 2022 Annual Report)
2024 TAWC MFG Q004_Attachment 03 (AW 2023 Annual Report)
2024 TAWC MFG Q004_Attachment 04 (AW 10-Q Report ending September 30, 2023)
2024 TAWC MFG Q004_Attachment 05 (AW 10-Q Report ending June 30, 2023)
2024 TAWC MFG Q004_Attachment 06 (AW 10-Q Report ending March 31, 2023)
2024 TAWC MFG Q004_Attachment 07 (AW 10-Q Report ending September 30, 2022)
2024 TAWC MFG Q004_Attachment 08 (AW 10-Q Report ending June 30, 2022)
2024 TAWC MFG Q004_Attachment 09 (AW 10-Q Report ending March 31, 2022)
2024 TAWC MFG Q004_Attachment 10 (AW 10-Q Report ending June 30, 2021)
2024 TAWC MFG Q004_Attachment 11 (AW 10-Q Report ending March 31, 2021)
2024 TAWC MFG Q004_Attachment 12 (AW 10-Q Report ending September 30, 2021)
2024 TAWC MFG Q004_Attachment 13 (AW 10-K 2023 Report)
2024 TAWC MFG Q004_Attachment 14 (AW 10-K 2022 Report)
2024 TAWC MFG Q004_Attachment 15 (AW 10-K 2021 Report)
2024 TAWC MFG Q004_Attachment 16 (TAWC 2021 Unaudited Financial Statements)
2024 TAWC MFG Q004_Attachment 17 (TAWC 2022 Unaudited Financial Statements)
2024 TAWC MFG Q004_Attachment 18 (TAWC 2023 Unaudited Financial Statements)

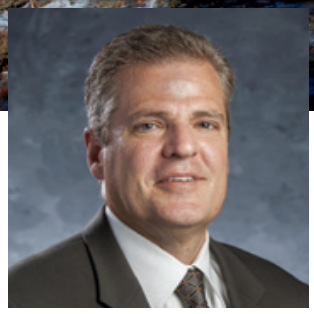
AMERICAN WATER



WE KEEP LIFE FLOWING®

Annual Report 2021





To Our Shareholders,

Looking forward from 2021, I could not be more excited about the future of American Water. In this report, you will read about the many positive opportunities that lie ahead for the company, built upon the continued execution of strategy and driven by a common sense of purpose.

The Board of Directors congratulates American Water's employees for achieving great results in 2021, and we have full confidence in their future performance.

For the five years ended December 31, 2021, our total shareholder return (TSR) was 185.2 percent, exceeding both the Philadelphia Utility Sector Index (PHLX) of 79.9 percent and the Standard & Poor's (S&P) 500 Index of 133.3 percent. Also, the company has once again attained its long-term diluted earnings per share (EPS) compound annual growth rate target.

Consistent with these excellent results and our expectations for strong future earnings and customer growth, the Board again increased the dividend in 2021, the 13th year in a row of increases. Our per share dividend has grown at a compound annual rate of approximately 10 percent over the last five years.

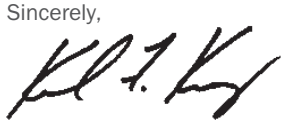
185.2%
RETURN

5-YEAR TOTAL SHAREHOLDER RETURN

Again, these results are an outcome of sound execution by American Water employees of our business strategy. By focusing on customers, communities, and growing where the company creates the most value, American Water has established a pathway to sustainable and profitable operations.

The American Water Board of Directors would like to thank our shareholders for their continued trust and support. I look forward to your attendance at our virtual Annual Meeting of Shareholders at 10 a.m., Eastern Time on Wednesday, May 11, 2022.

Sincerely,



KARL F. KURZ
Chairman of the Board





Dear Fellow Shareholders,

American Water is pleased to share this report, highlighting our accomplishments of 2021, and detailing how we will build upon those achievements for 2022 and beyond.

American Water's strategic focus centers on efficient performance, operating with impact, and maximizing value for all stakeholders. The sale of the Homeowner Services Group last December allows us to build on our commitment to provide reliable and resilient water and wastewater infrastructure, continue to put our customers first, and deliver water and wastewater solutions to many communities. We believe our transition to a nearly 100 percent regulated and regulated-like business at the end of 2021 will best serve all of our stakeholders going forward.

We believe that the best way to deliver value to our stakeholders is by executing our increased capital investment plan that drives modernization, improves efficiency, and increases reliability and resiliency. Our increased capital plan includes an additional $6 billion over the next ten years, reflecting the continued needs in our existing systems as well as the investments needed in the systems we acquire.

We also announced multiple acquisitions in 2021, including our largest acquisition in York, Pennsylvania. We expect to close this acquisition in the second quarter of 2022 and are excited to welcome 45,000 customer connections, including bulk contract customers. We also look forward to adding another 30,000+ customer connections through approximately 30 signed agreements across several states. Our proven success in providing meaningful water and wastewater solutions is why we are confident that we can meet our regulated acquisition EPS compounded annual growth target.

We are also keenly focused on customer affordability. Ours is a disciplined approach, driving operating and capital efficiencies, seeking constructive regulatory and legislative policies, and leveraging a large, growing customer base. It comes down to effectively deploying technology, taking advantage of our size and scale through the supply chain, and driving our cost management through a culture of continuous improvement – all areas where we've been successful.

None of this would be possible without our employees. Simply put, it is a privilege to work with such deeply committed, experienced and skilled employees every day. We are a community of passionate employees that care about our customers, our communities and each other. Our employees share a common purpose to keep life flowing for millions of customers across the U.S.

This common purpose is why Environmental, Social and Governance (ESG) principles are core to our business and



integral to our success. It's who we are, what we do, and how we do it. Living by ESG principles is our commitment to operate responsibly. It means that with every water and wastewater system we acquire, we have an opportunity to make a sustainable positive impact on the community, reflect the communities we serve with diverse and skilled employees, and maintain the governance and diligence that allows us to exceed service expectations for decades to come.

Our company remains one of the fastest growing utilities in the entire sector. The combination of our EPS growth, our strong dividend, and an ESG commitment has secured our place as a top performer in the utility sector for many years now. We have delivered an exceptional total return to our shareholders over the past five years, and we expect that to continue for many years to come.

This is a business that is fundamentally very strong and continues to deliver excellent outcomes for all our stakeholders. On behalf of American Water and our 6,400 employees, I want to thank you for your continued support. We are excited about our future and are thankful that you have joined us on this journey.

Sincerely,



M. SUSAN HARDWICK
President, Chief Executive Officer
and Chief Financial Officer



STRENGTHENING OUR STORY



An Enhanced Business Profile

We know that we create value when we focus our resources and efforts where we have scale, can drive efficiencies, and invest in reliable and resilient infrastructure, while enhancing our customer's experience and keeping customer bills affordable.

The sale of the Homeowner Services Group (HOS) has allowed us to focus on the current and future growth of the regulated business. We have monetized the value of that business through the sale and will be using the proceeds to accelerate our regulated investment strategy through increased capital investment in our water and wastewater systems and through acquisitions of regulated water and wastewater systems.

Additionally, we know that the quality of earnings matter to those who invest in us. By reducing the risk of more volatile earnings in exchange for steady regulated and regulated-like earnings, the American Water value proposition is even stronger.



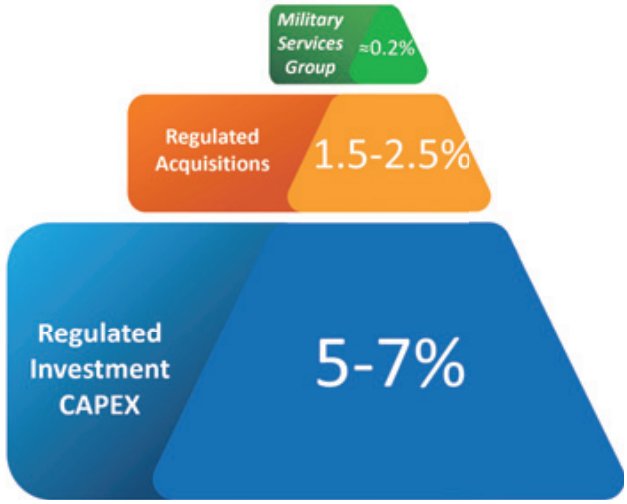
The American Water map clearly demonstrates our geographic diversity and how our scale and size are a key competitive advantage. We provide drinking water and wastewater services to an estimated 14 million people in 24 states, including on the 17 military installations we serve through our Military Services Group. There is no other water and wastewater service provider in the U.S. with our scale and capability.

Solid Financial Metrics

The execution on our capital investment plan and the move to a nearly 100 percent regulated and regulated-like business is reflected in our current credit ratings. Both Standard and Poor's (S&P) and Moody's affirmed our credit ratings based on our solid financial metrics and we're proud that our A credit rating at S&P is one of only two in the entire utility industry. Our strong credit profile is something we value and will continue to work to maintain for the benefit of our customers.

Decades of Growth

Shareholders are familiar with our growth triangle. It is a visual we have used for many years to convey simply how we intend to grow our business for the long-term.



We're confident that we can deliver on the components of this triangle. By advancing our capital plan, we are making critical investments in our systems, hardening our assets against extreme weather events and deploying technology that will help us work smarter and more efficiently.

While it will take time to execute our increased capital plan and earn the resulting return on those investments, our teams have the expertise and experience to deliver on this core strategy.

We'll balance our investment through a disciplined regulatory strategy and strategic cost management to support customer affordability.

And our teams will continue to provide water and wastewater solutions across the U.S. Through our regulated acquisition growth strategy, we are well-positioned to lead significant environmental and social change in the communities we serve or will serve in the future. In fact, as you will read further in this report, our entire growth triangle has impactful ESG-related initiatives integrated within each area.



The golden West Virginia State Capital Dome on the Kanawha River in Charleston, WV



HELPING COMMUNITIES

"With Pennsylvania American Water as a long-term partner, we will be able to pay off the city's long-standing debts, keep taxes and rates stable for residents and businesses and invest in our future."
- Mayor Michael Helfrich, City of York, PA

"We examined a lot of options and Missouri American Water was the best partner for our city. Our citizens overwhelmingly voted for this two years ago and we're glad to finally see it come to fruition."
- Mayor Logan Carter, Hallsville, MO

"I am grateful to the voters for recognizing that selling the system to New Jersey American Water is the best solution for our town. The sale proceeds will enable us to pay down the Borough's municipal debt and stabilize, or even potentially reduce, property taxes for our residents. Additionally, New Jersey American Water will be adding the sewer charges onto the existing water bills, which removes the significant burden of customer billing from the Borough's finance department."
– Mayor Bob Fazen, Bound Brook Borough, NJ

"Ransom was forward-thinking in building a water system 121 years ago. All these years later, we showed that same forward thinking by turning over the water system to the professionals."
- Mayor Matt Hauser, Village of Ransom, IL

Communities Are Better Because We're There

American Water's regulated acquisition pipeline stands at 1.3 million customer connections, with every future addition to our footprint offering tremendous opportunities to make a positive impact environmentally and socially in communities across the U.S. For us, delivering a reliable supply of safe, clean and affordable water service to our customers and treating their wastewater is fundamental to our business. We are proud of our legacy of strengthening communities by improving water quality and system compliance, which aligns with the purpose of our company and our people.

Providing Solutions

As a national water and wastewater utility company with a local presence, we believe that helping our communities thrive and providing meaningful and impactful support is a business imperative. We want our community contributions to be impactful, demonstrate who we are and what we stand for and support our successful business relationships with those we serve.

Scranton, PA – Restoring Water Resources

In December 2016, Pennsylvania American Water acquired the wastewater system assets of the Scranton Sewer Authority. This system provides wastewater service to approximately 31,000 customers connections in Scranton and Dunmore.

Prior to the acquisition of this system by Pennsylvania American Water, it was estimated that nearly 700 million gallons of combined sewer overflow discharged annually into the Lackawanna River. Pennsylvania American Water was already the water service provider for these communities and brought both the technical expertise and financial resources to meet the system's unique challenges. The goal was to provide a long-term wastewater solution and maintain reasonable rates for customers. Since Pennsylvania American Water purchased the system, improvements and investment of capital have reduced overflow volume by 70 percent and helped to restore the health of the local waterways. The journey does not end as Pennsylvania American Water continues to work collaboratively with the Pennsylvania Department of Environmental Protection on additional capital investments to further reduce the overflow volume and protect the local environment.

Kincaid, WV – Making Communities Stronger

The Page-Kincaid Public Service District served water to approximately 650 customers in Fayette County, West Virginia. Like many other small water providers, the district struggled to maintain adequate service. Water quality tests showed high levels of manganese, iron and aluminum. Residents reported brown and red water and expressed their desire for a sale of the system to West Virginia American Water, which acquired the system in November 2021. Since then, West Virginia American Water has invested more than $7 million in the distribution system. The company was able to provide and apply decades of expertise and experience to reduce leakage, improve water quality, and provide more reliable service. And importantly for Page and Kincaid residents, they have tap water they can trust.

Picatinny Arsenal, NJ – Serving those Who Serve

When American Water's Military Services Group detected higher levels of perfluorooctanoic acid, commonly known as PFOA, at a military installation in New Jersey, the team quickly went to work. American Water made recommendations to the facility to effectively remove the contaminants and was awarded a contract to install a temporary Granular Activated Carbon (GAC) system within 90 days. The American Water-led team kept the project ahead of schedule, completing the design, permitting, implementation, construction and treatment in just 38 days. Sample results were returned and showed PFOA levels were not detectable across the system. Serving our military is an honor for American Water and bringing peace of mind to the families that live on those bases is an even greater privilege.

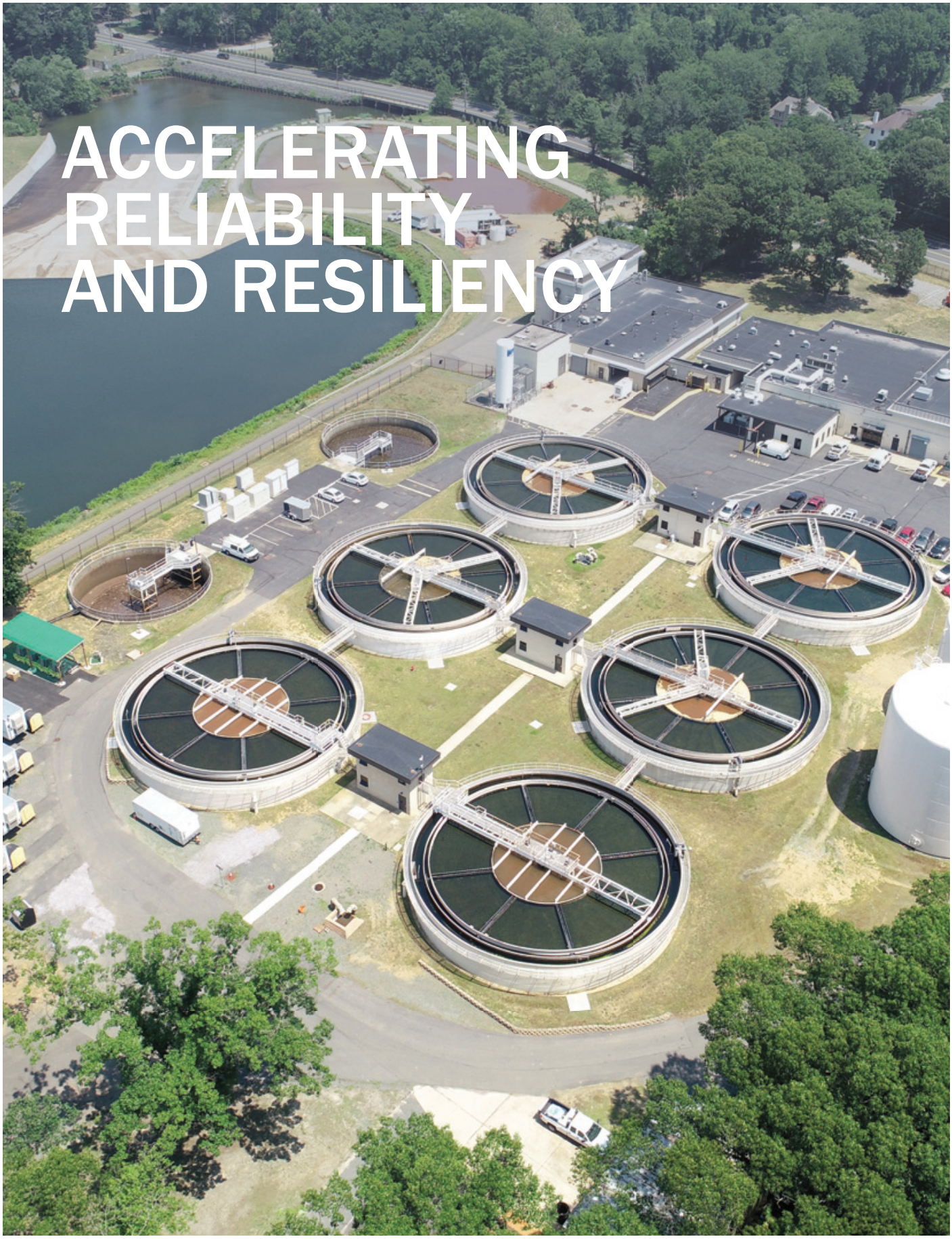
Built to Offer Solutions for the Long Term – Our Competitive Advantages

As the largest regulated water and wastewater provider in the United States, American Water is positioned to provide solutions for communities for years to come. We target acquisitions in the range of 5,000 to 50,000 customer connections and evaluate other strategic opportunities outside of our current footprint. In states where we have critical mass, we can better drive customer affordability through cost efficiencies and a robust supply chain strategy.

Another advantage is our ability to acquire wastewater systems within, or near, our water footprint. Our water operations make up approximately 93 percent of our business, while wastewater is only 7 percent. Expansion of our wastewater footprint presents a logical acquisition opportunity because we have the operational infrastructure, equipment, expertise, personnel, and relationships with communities where we already provide water service.

Equally important to our strategy is our ability to operate in constructive regulatory environments with a supportive business climate. We're proud to have worked with many stakeholders on constructive regulatory and legislative outcomes, ultimately benefiting the communities we serve. This foundation gives communities more options to solve water and wastewater challenges and American Water more opportunities to help those communities through acquisitions.

ACCELERATING RELIABILITY AND RESILIENCY





Investing in Our Systems

American Water plans to invest approximately $28 to $32 billion over the next 10 years in our regulated business. In addition to increasing reliability and water quality, there are meaningful benefits that come with that level of investment. These capital investments not only significantly contribute to the local and regional economies, but they also improve the environmental footprint of the systems we own, making these communities better because we're there. This is yet another way the values of ESG are integrated into our everyday work.

Building Stronger Systems

The national need for significant investment in water and wastewater infrastructure is widely recognized. Compared to the plan in place a year ago, American Water's updated 2022-2031 capital plan includes an increase of nearly $6 billion over the next 10 years, reflecting the continued need in our existing systems, as well as the additional investment needed in the systems we will acquire.

Part of that increased investment centers on capital spend related to resiliency of system assets and we expect these investments to represent approximately 10 to 12 percent of our 10-year capital plan, up from 10 percent in last year's plan. These dollars will help reduce and eliminate leaks, improve cyber and physical security and mitigate the impacts of climate variability. This is in addition to replacing aging infrastructure, addressing contaminants of emerging concern, supporting ongoing efforts to replace lead and copper service lines and complying with increasingly complex water quality regulations.

Over the past few years, we have seen the devastation that extreme weather causes for many water systems. We witnessed the value of our resiliency investments when our recently reinforced flood wall protected our Raritan-Millstone water treatment plant enabling us to continue to provide service to more than one million people in central New Jersey during Tropical Depression Ida.

These investments also provide solutions to long-term water challenges. Maryland American Water was recently recognized by the U.S. Environmental Protection Agency (EPA) 2021 Drinking Water State Revolving Fund's (DWSRF) AQUARIUS program. Maryland American Water was chosen under the category of "Excellence in Problem Solving" for demonstrating an exceptional focus on sustainability and protection of public health.



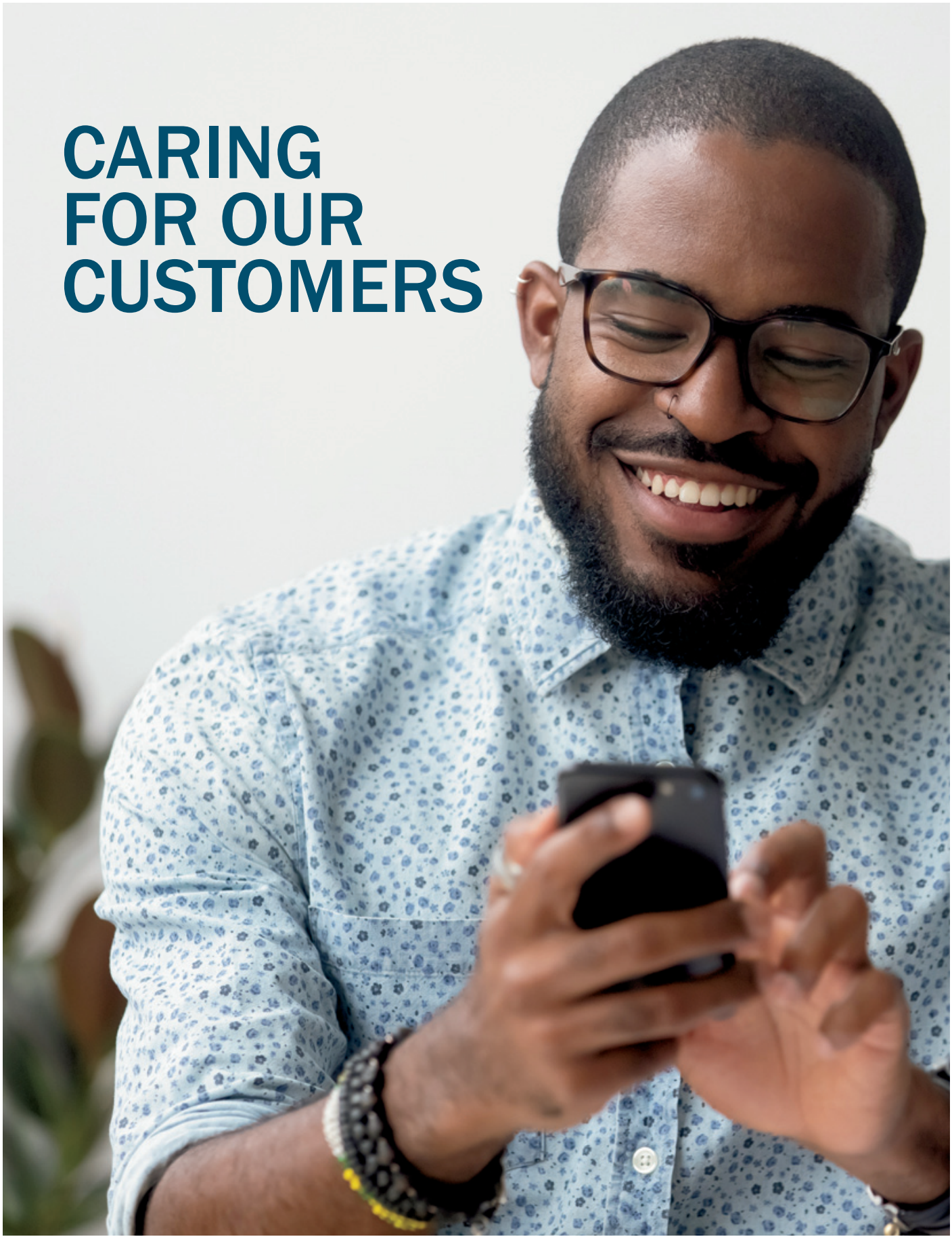
Raritan-Millstone Water Treatment Plant flood wall holds up as planned during Tropical Depression Ida, helping ensure the plant continued to provide reliable service to over 1 million customers during and after the storm.

In response to a more than 20-year challenge to have an adequate water supply for the Town of Bel Air, Maryland, American Water built a reservoir that can store approximately 90 million gallons of water. This solution now serves as a reliable backup supply for the community and will sustain the water needs of the town for years to come. Jennifer McLain, Director of the EPA's Office of Ground Water and Drinking Water, said, "By enhancing both the reliability and sustainability of their system, Maryland American Water demonstrates the potential benefits of using water infrastructure funds to address multiple public health and environmental problems for the betterment of the community."



A West Virginia American Water employee monitoring operations at a treatment plant.

CARING FOR OUR CUSTOMERS





A Better Customer Experience

Customers continue to be at the center of everything we do. Core to this approach is our focus on customer affordability and assistance. American Water takes a holistic approach – from cost management to customer education on ways to reduce their bill to payment and assistance programs. We know all these efforts matter to our customers.

Our emphasis on cost and capital efficiencies, as well as regulatory mechanisms that reduce the need for larger general rate filings, have continued to deliver affordable customer water bills as a percentage of household income. Our customers' water bills are currently, on average, in the range of $45 to $65 per month.

This is an ongoing journey for us. As we continue to make needed investments, we continuously look at ways to improve our operating efficiencies, leverage technology and enhance our supply chain strategies to limit customer bill increases.

We also are very focused on providing our customers with payment assistance. Beyond our state payment assistance programs, our company is now implementing programs funded by the 2021 American Rescue Plan. In Pennsylvania alone, we have distributed nearly $1 million to customers in need in less than two months since the establishment of the program.

Commitment to Customer Service

Our employees are also passionate about our customers. Recently, New Jersey American Water and Illinois American Water were recognized for being ranked #1 within the J.D. Power 2021 Water Utility Residential Customer Satisfaction Study. This recognition demonstrates our employees' commitment to delivering exceptional customer service. Other American Water subsidiaries that have been recently recognized by J.D. Power include California and Missouri.

Part of improving customer satisfaction are the investments we make in new technologies to enhance our customer experience. One example is MyWater.

MyWater is our online customer portal where users can find water usage information, pay their bill, turn service on or off, apply for customer assistance programs, and stay informed about water-related emergencies. Its purpose is to make it easier for customers to do business with us.

Through MyWater, users can also manage billing preferences by signing up for paperless billing and automatic payments. This too is an ESG story. Early in 2021, West Virginia American Water announced it would plant one tree for each customer who made the switch to paperless billing throughout the year. West Virginia American Water's goal was to convert 11 percent of its customers, or 3,122 accounts, to paperless billing. At the end of 2021, 3,239 customers in West Virginia converted to paperless billing, and a similar number of new trees were planted as a result. West Virginia American Water exceeded its paperless billing conversion goal, and we are looking to replicate this program across the American Water footprint.



CHAMPIONING INCLUSIVE, HIGH-PERFORMING TEAMS



Developing Our People

Our 6,400 employees are our most valuable asset. Our company has an intentional, long-term commitment to build and hire talent, inspire and reward high performance, create long-term development paths and build a strong, diverse team.

We provide a wide range of development opportunities to enable employees to reach their fullest potential and conduct work safely and effectively. We require a minimum of 25 training hours per employee, including our union-represented employees. We provide support during work hours on a variety of topics throughout the year, such as leadership and professional development and required annual inclusion, diversity and equity (ID&E) training. Importantly, we work closely with labor unions to learn how we can collaborate and improve our training effectiveness, especially around safety. Through year end 2021, the company delivered over 120,000 hours of annual employee safety training and further reduced its OSHA recordable injury rate to 0.97, the lowest in American Water's recorded history.

We also frequently evaluate, update and offer new and relevant training, as well as work with employees on individualized development plans to address their personal needs and goals. Through employee business resource groups (EBRGs) and frequent opportunities for inclusive conversation, we provide opportunities to build new skills, gain business exposure and make new and stronger connections.

Inclusion, Diversity and Equity

We are steadfast in our commitment to ID&E and have worked hard to embed these principles into the fabric of our culture. Last year, American Water published its first-ever Inclusion & Diversity Report. The report details just how far our company has come in recognizing that all backgrounds, ethnicities and experiences make our company better. With more than 100 data points related to our culture of inclusion, the report also demonstrates we still have work to do.

We have challenged ourselves in many areas including, but not limited to, goals to increase representation of women and ethnic and racial diversity in the workplace and targets on diverse business spend. We have also provided and supported consistent training to our employees on embracing diversity, promoting a harassment-free workplace, recognizing unconscious bias and encouraging allyship. Our ID&E priorities are led by our Chief Inclusion Officer, two ID&E Senior Managers, ID&E Executive Council and our four EBRGs:

- Together We Stand - Promotes a diverse and inclusive work environment, for Black/African American employees and their allies, at all levels within the company
- WE CAN - The Women's Empowerment Champion and Ally Network fosters an inclusive culture where female employees' personal and professional growth contributes to the success of our company and the communities we serve
- People with Disabilities - Advocates to create equity for employees with all types of disabilities (visible and invisible), caregivers and their allies to lead and excel both personally and professionally
- American Proud - Creates awareness and fosters candid discussions that proudly support the LGBTQ+ community and their allies



Company-wide ID&E metrics are based on voluntary self-identification and our employee headcount as of January 1, 2022.

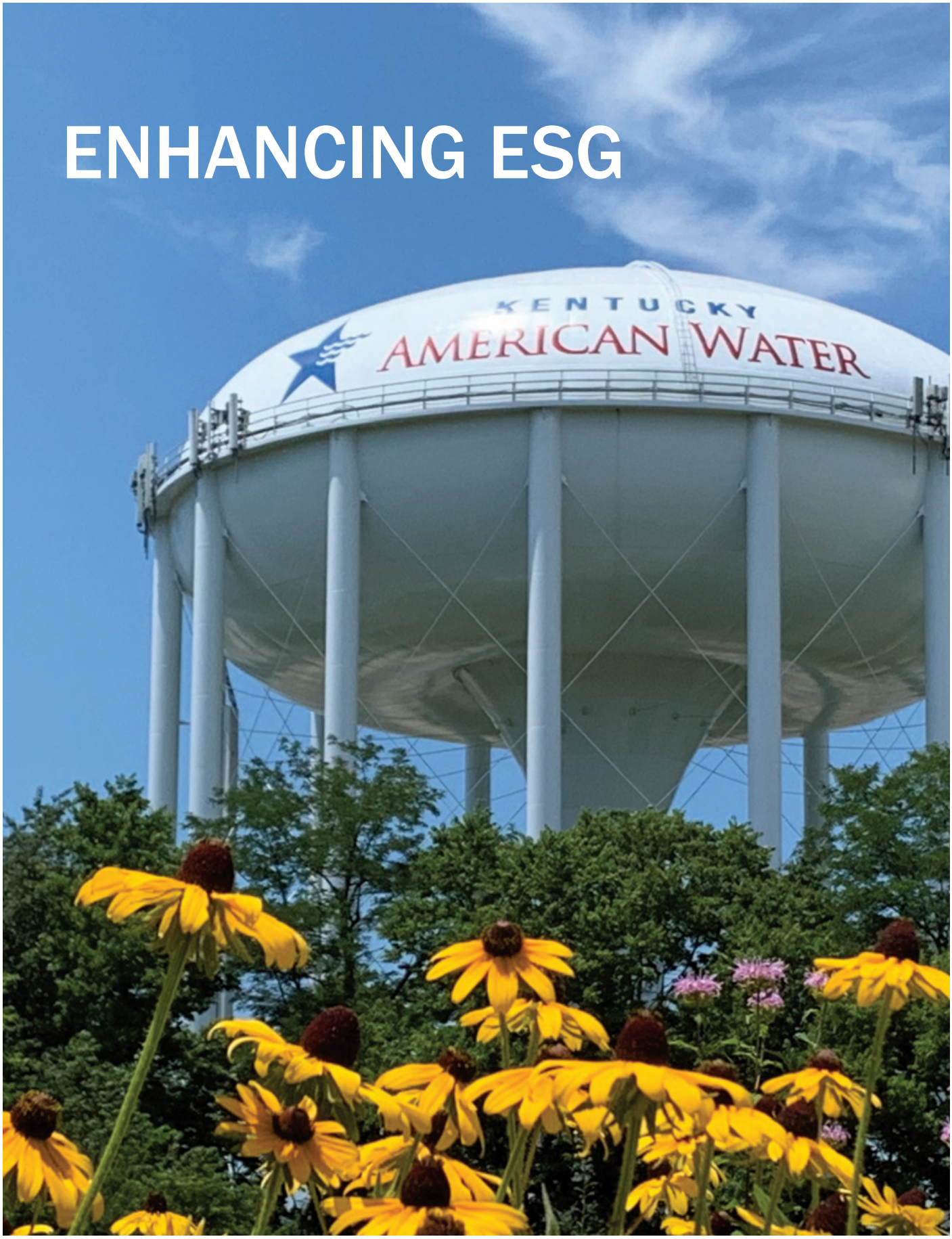
We continue to work hard on our ID&E journey, and have been recognized for the progress we have made, including the following:

- Received from New Jersey Business Magazine and New Jersey Business and Industry Association the 2021 Diversity and Inclusion Award
- Listed for the third consecutive year as a top-scoring company (among approximately 247 businesses) for our inclusive and diverse culture on the Disability Equality Index, a comprehensive disability inclusion assessment tool designed and embraced by both business leaders and disability advocates and listed among its "Best Places to Work for Disability Inclusion"
- Included among 418 companies across 45 countries and regions in the 2022 Bloomberg Gender-Equality Index
- Recognized by the Philadelphia Business Journal for our philanthropic partnership with Hopeworks Camden, a non-profit focusing on technology and related training and development of at-risk youth in Camden, New Jersey, also the location of our corporate headquarters
- Earned the 2022 Gold Employer, Spouse Employer and Supplier Diversity "Military Friendly" designations
- Recognized as Best for Vets employer by Military Times Magazine for four consecutive years
- Recognized as a "Champion of Diversity" by the Forum of Executive Women
- Three American Water executives were recognized by the National Diversity Council
- Awarded a Business Achievement Award from the Environmental Business Journal for our Inclusion & Diversity initiatives

ESG™ at AWK

American Water will utilize its new ESG badge to demonstrate the business and operational tie to ESG principles.

ENHANCING ESG



In today's world, customers and other stakeholders expect corporations to provide leadership on ESG principles and be good corporate citizens. For American Water, delivering a reliable supply of safe, clean and affordable drinking water to its customers and treating their wastewater is fundamental to our business. The company pursues its ESG goals because it is the right thing to do and is critical to long-term success. American Water's ESG commitment includes:



Environmental

- Invest $28 to $32 billion in capital over the next 10 years to continually maintain the quality and reliability of water and wastewater systems, increasing the resiliency of critical assets as well as increase energy conservation efforts
- Reduce scope 1 and scope 2 greenhouse gas emissions by more than 40 percent by 2025 from a 2007 baseline
- By 2035, meet customer needs while saving 15 percent in water delivered per customer compared to an averaged 2014 and 2015 baseline
- By 2030, increase water system resiliency to respond to more extreme events by increasing Utility Resilience Index weighted average by 10 percent from a 2020 baseline

Social

- In 2021, employees completed over 65,400 hours of training focused on ID&E
- American Water's Chief Inclusion Officer and its EBRGs serve identified employee groups with a goal of creating a more inclusive and diverse workplace, as well as giving the company a better understanding of the diverse communities it serves
- In 2021, American Water contributed $45 million to the American Water Charitable Foundation to allow for an increase in charitable giving for many years to come
- More than $941,000 was donated in 2021 by Company employees and the AWCF through workplace giving campaigns including the United Way, Water For People and other volunteering giving campaigns that supported more than 1,500 public charities nationwide

Governance

- The Board of Directors and each of its standing committees are led by an independent, non-executive chairperson
- Based on voluntary self-identification, American Water's 2022 Board of Directors nominees are 55.6 percent racially and gender diverse, and with the inclusion of disability and military veteran status, the Board's overall diversity is 66.7 percent
- 100 percent of American Water employees have completed annual Code of Ethics training
- The company's approach to ethics includes a supplier Code of Conduct, requiring suppliers to operate in accordance with our business ethics and approach to environmental stewardship
- American Water is transparent in disclosing its political contributions policy on the company's website, and annually publishes information related to political contributions and lobbying expenditures

American Water considers ESG principles fundamental to its corporate strategy and values. Integration of these principles into daily operations confirm the belief that "how" a company operates is just as important as "what" a company does.

Success is driven by a single, overriding purpose: to help KEEP LIFE FLOWING for our customers and the communities we serve, every day.



Shareholders

CORPORATE INFORMATION

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
Two Commerce Square
2001 Market Street, Suite 1800
Philadelphia, PA 19103-7042

Stock Transfer Agent

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

BOARD OF DIRECTORS

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

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

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

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

Veronica M. Hagen*
Director
Former Chief Executive Officer, Polymer
Group, Inc. (now known as AVINTIV
Specialty Materials Inc.)

*Not standing for re-election in 2022.

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

Julia L. Johnson
Director
President, Net Communications, LLC

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

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

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

Investor Inquiries

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

	12/30/16	12/29/17	12/31/18	12/31/19	12/31/20	12/31/21	TSR 5 year
American Water Works Company, Inc.	$ 100.00	$ 129.02	$ 130.71	$ 180.09	$ 228.50	$ 285.19	185.2%
PHLX Utility Sector	$ 100.00	$ 112.82	$ 116.79	$ 148.11	$ 152.14	$ 179.90	79.9%
S&P 500	$ 100.00	$ 121.82	$ 116.47	$ 153.13	$ 181.29	$ 233.28	133.3%

Investor Relations

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

Corporate Headquarters

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

Stock Market

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

Annual Meeting

The 2022 annual meeting of shareholders is scheduled for 10:00 a.m. ET on Wednesday, May 11, 2022, to be held virtually (and not at a physical location). All holders of our outstanding common stock at the close of business on March 17, 2022, are entitled to notice of, and to vote at, the meeting. Notice of the meeting and proxy materials will be distributed to shareholders and accessible to the public on our Investor Relations page at https://ir.amwater.com. Management encourages all investors to have their votes counted at the annual meeting.

Executive Certifications

American Water has included as exhibits to its 2021 Annual Report on Form 10-K filed with the Securities and Exchange Commission certifications of the chief executive officer and chief financial officer of the company regarding the company's public disclosures contained therein. The company also provides annually to the NYSE a certificate of the CEO certifying that, among other things, it is not aware of any violation by the company of NYSE corporate listing standards.

Dividends

Dividends paid on the company's common stock in 2021 were:

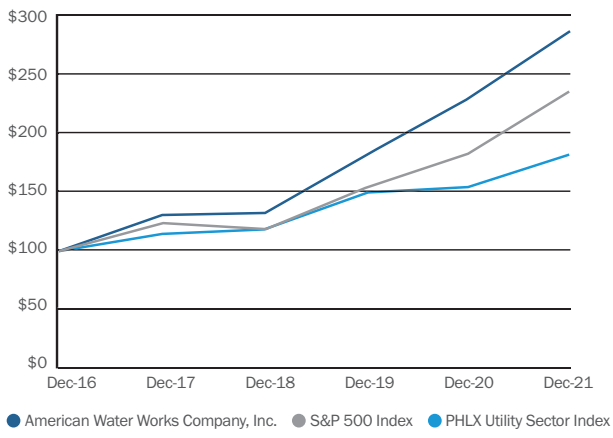
March 2, 2021	$0.55
June 1, 2021	$0.6025
September 1, 2021	$0.6025
December 1, 2021	$0.6025

Stock Performance Graph

The graph below compares the cumulative total return on American Water's common stock with the cumulative total return of the Standard & Poor's 500 Index and the PHLX Utility Sector Index from December 30, 2016, through December 31, 2021. The comparison assumes $100 was invested on December 30, 2016, and that dividends were reinvested.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

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



*$100 invested in each security on 12/30/2016, assumes reinvestment of dividends. Fiscal year ending December 31.

Source of data: Bloomberg.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021

OR

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

For the transition period from_____ to_____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Common Stock, $0.01 par value—$24,667,400,000 as of June 30, 2021 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2021, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2021, to be controlled by, or under common control with, American Water or any of the persons described in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, $0.01 par value per share—181,724,991 shares as of February 10, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2022 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2021 are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

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

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

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the ongoing COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;

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

- the ability of the Company to redeploy successfully and timely the net proceeds of these transactions into the Company's Regulated Businesses;

- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs, and (iii) the Company's ability to utilize its state income tax net operating loss ("NOL") carryforwards;
- migration of customers into or out of the Company's service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company's goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract qualified employees;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements

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

PART I

ITEM 1. BUSINESS

The Company

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, the Company employs approximately 6,400 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company conducts the majority of its business through regulated utilities that provide water and wastewater services, collectively presented as the "Regulated Businesses." The Company also operates market-based businesses that provide complementary services. Individually, these businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented as the "Market-Based Businesses," which is consistent with how management assesses the results of these businesses.

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests of the HOS subsidiaries. See Item 1—Business—Market-Based Businesses—Sale of Homeowner Services Group below and Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

On January 1, 2022, the Company completed the sale of its New York subsidiary, see Item 1—Business—Regulated Businesses—Sale of New York American Water Company, Inc. below and Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021 and 2020.

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

Regulated Businesses

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. The Company's utilities operate in approximately 1,700 communities in 14 states in the United States, with 3.4 million active customers in its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). Federal, state and local governments also regulate environmental, health and safety, and water quality and water accountability matters. The Company reports the results of the services provided by its utilities in the Regulated Businesses segment. Operating revenues for the Regulated Businesses were $3,384 million for 2021, $3,255 million for 2020 and $3,094 million for 2019, accounting for 86%, 86% and 86%, respectively, of the Company's total operating revenues for the same periods.

Presented in the table below is a geographic summary of the Regulated Businesses' operating revenues and the number of customers the Company serves, by type of service, for and as of the year ended December 31, 2021:

	Operating Revenues (in millions)				Number of Customers (in thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
New Jersey	$ 778	$ 48	$ 826	24.4%	660	55	715	20.3%
Pennsylvania	688	82	770	22.8%	677	82	759	21.5%
Missouri	337	12	349	10.3%	474	17	491	13.9%
Illinois	303	37	340	10.0%	295	69	364	10.3%
California	265	3	268	7.9%	187	3	190	5.4%
Total—Top Five States (b)	2,371	182	2,553	75.4%	2,293	226	2,519	71.4%
New York (c)	127	—	127	3.8%	127	—	127	3.6%
Other (d)	678	26	704	20.8%	849	35	884	25.0%
Total Regulated Businesses	$3,176	$ 208	$3,384	100.0%	3,269	261	3,530	100.0%

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

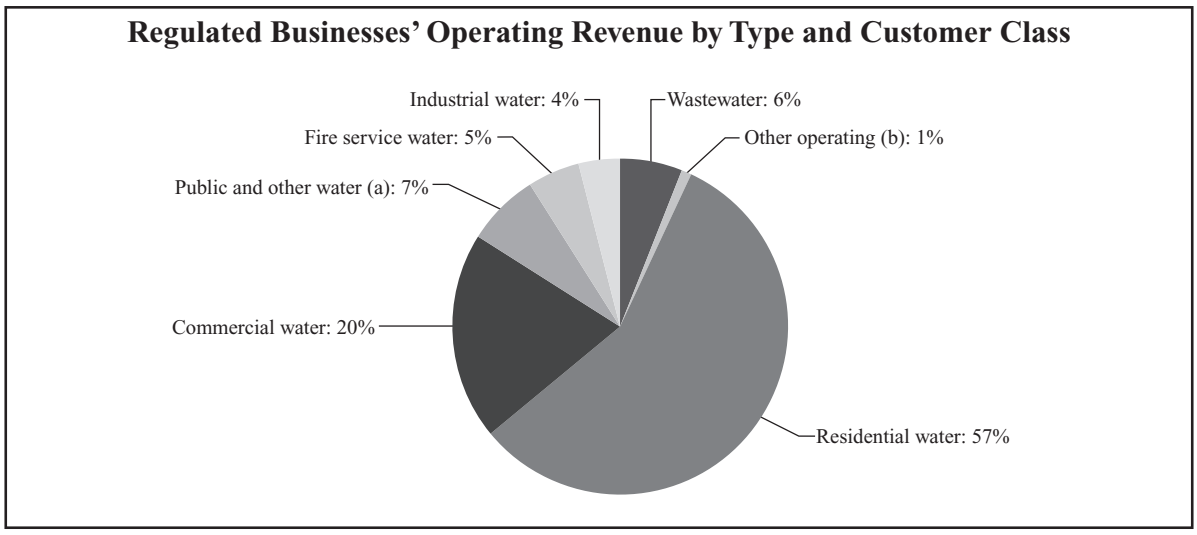
Customers

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

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

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

The following chart depicts the allocation of the Company's Regulated Businesses' operating revenue of $3,384 million by type, including a breakout of the total water services revenues by class of customer, for the year ended December 31, 2021:



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

Presented in the table below is the number of water and wastewater customers the Company served by class as of December 31, 2021, 2020 and 2019, which represents approximately 14 million people served as of December 31, 2021:

	2021		2020		2019	
(In thousands)	**Water**	**Wastewater**	**Water**	**Wastewater**	**Water**	**Wastewater**
Residential	2,972	245	2,948	236	2,914	215
Commercial	225	15	225	15	222	13
Fire service	52	—	50	—	49	—
Industrial	4	—	4	—	4	—
Public and other (a)	16	1	17	1	16	1
Total	3,269	261	3,244	252	3,205	229

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

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

Capital Investment

The Company plans to invest between $28 billion and $32 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses' water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. The Company has proactively improved its pipe renewal rate from a 250-year replacement cycle in 2009 to an expected 110-year replacement cycle by 2026, which it anticipates will enable the Company to replace nearly 2,200 miles of mains and collection pipes between 2022 and 2026. In addition, from 2022 to 2026, the Company's capital investment

in treatment plants, storage tanks and other key, above-ground facilities is expected to increase, further addressing infrastructure renewal, resiliency, water quality, operational efficiency, technology and innovation, and emerging regulatory compliance needs. Additionally, the Company continues to invest significantly in resiliency projects to address the impacts of climate and weather variability by hardening its assets. The benefit of investing in resiliency projects was seen firsthand in the aftermath of Tropical Depression Ida, when the Company's New Jersey subsidiary reported that all its operating areas successfully withstood widespread flooding and drinking water quality was not impacted in any of its service areas. Specifically, the New Jersey subsidiary's Raritan-Millstone Water Treatment Plant, which was fortified with a $37 million flood protection project in 2018, withstood a record flood and continued to provide potable water supply for approximately 1 million people in parts of seven counties in central New Jersey.

Regulation and Rate Making

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

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

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

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

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

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

Acquisitions and Strategic Growth

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

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

achieve operational efficiencies and prioritize capital investment needs. The Company's current customer mix of 93% water and 7% wastewater also presents strategic opportunities for wastewater growth and systems consolidation, allowing the Company to add wastewater customers where it already serves water customers. The Company intends to continue to expand its regulated footprint geographically by acquiring water and wastewater systems in its existing markets and, if appropriate, pursuing acquisition opportunities in certain domestic markets where the Company does not currently operate its Regulated Businesses. Before entering new regulated markets, the Company will evaluate the business and regulatory climates to ensure that it will have the opportunity to achieve an appropriate rate of return on its investment while maintaining its high standards for providing safe, reliable and affordable services to its customers, as well as a line of sight to grow the Company's base customers to attain efficiencies after entering the new domestic market.

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

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the sale of its New York subsidiary to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Under the terms of the Stock Purchase Agreement, dated November 20, 2019, as amended, by and among the Company, the Company's New York subsidiary and Liberty (the "Stock Purchase Agreement"), Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company's regulated New York operations had approximately 127,000 customers in the State of New York. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Industry Legislation

On November 15, 2021, the Infrastructure Investment and Jobs Act (the "IIJA") was signed into law and provides for up to $55 billion to aid in improving the country's ailing water infrastructure, including $23.4 billion for drinking water and wastewater, $15 billion for lead service line replacement (through the drinking water state revolving fund), and $10 billion for the treatment of per- and polyfluoroalkyl substances ("PFAS") and other contaminants of emerging concern. The bill also includes a low-income assistance program, which provides eligible low-income customers who receive their water from public and private entities to be eligible to participate in the program. The Company is awaiting further guidance on the distribution of these funds.

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

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

In 2018, Indiana passed a law to set minimum operational expectations for all water and wastewater utilities in the state, including municipal and investor-owned utilities. The law requires water and wastewater utilities to conduct rate analyses, develop capital asset management plans and conduct cybersecurity and water loss audits. It also requires water and wastewater utilities to participate in regional discussions and planning to assess opportunities for the more efficient use of water and wastewater utility assets and infrastructure. Water and wastewater utilities that fail to comply with the requirements of the law may be ineligible for grants and loans from the State Revolving Fund. Under the law, all new municipal and investor-owned utilities are required to be regulated by the Indiana Utility Regulatory Commission for ten years from inception of operations.

In 2020, Missouri enacted the Water Safety and Security Act, which requires small and medium-sized water providers to create cybersecurity, valve inspection and hydrant inspection programs. Upon request by the Missouri Department of Natural Resources, the water providers must certify compliance with all regulations regarding water quality sampling, testing and reporting, hydrant and valve testing and reporting and cybersecurity plans and procedures.

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

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

Competition

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

Condemnation and Eminent Domain

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

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added "Measure J" to the November 2018 election ballot asking voters to decide whether the Monterey Peninsula Water Management District (the "MPWMD") should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed. In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. On June 12, 2020, the MPWMD issued a draft environmental impact report for the potential acquisition of the Monterey system assets and a related district boundary adjustment that would be required if the MPWMD were to acquire and operate certain of the Monterey system assets located outside the MPWMD's boundaries. On September 15, 2020, the MPWMD gave notice of its intention to appraise the Monterey system assets and related property interests. On September 29, 2020, the Company's California subsidiary declined to make the Monterey system assets and related property interests available for inspection or to comply with any of the other requests contained in the MPWMD's notice. On October 7, 2020, the MPWMD issued a final environmental impact report ("FEIR"), and on November 4, 2020, the MPWMD certified the FEIR, which purports to analyze the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. On November 25, 2020, the Company's California subsidiary filed a petition challenging this certification in court. A hearing on the matter was held on August 30, 2021, and on November 19, 2021, the court denied the petition. See Item 3—Legal Proceedings—Challenge of Certification—Proposed Monterey System Final Environmental Impact Report.

On February 26, 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. On June 28, 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. On December 6, 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation

of the Monterey system assets. On January 5, 2022, LAFCO's commissioners confirmed the denial. On January 31, 2022, the MPWMD filed an application for reconsideration of LAFCO's confirmation of denial. A hearing on the application has been set for February 28, 2022.

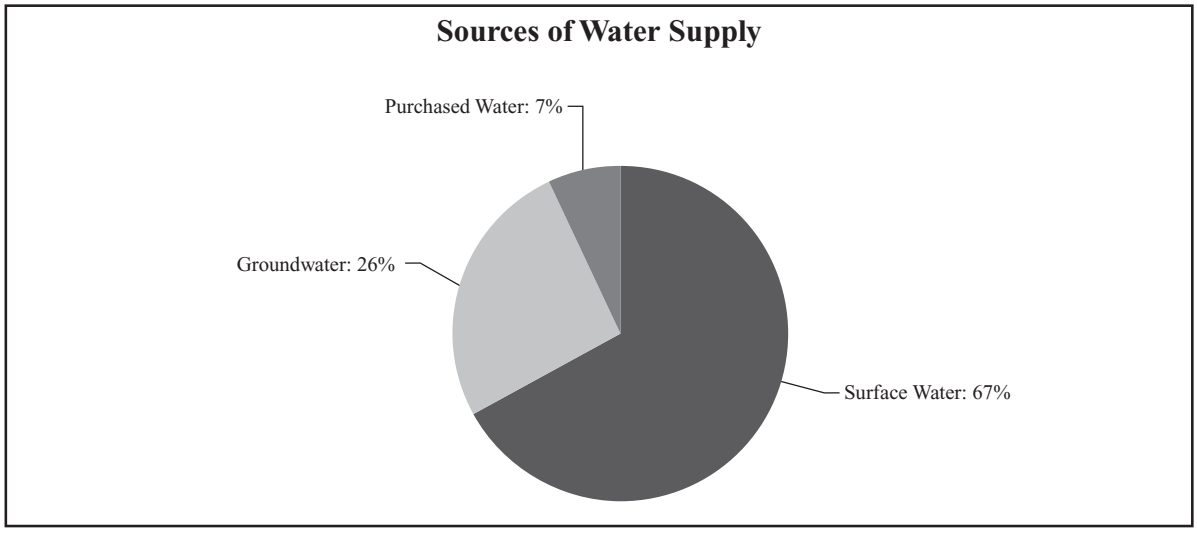
Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of $38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial was originally scheduled for October 2021 but has been continued to June 2022.

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

Water Supply and Wastewater Services

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

Presented in the chart below are the Company's sources of water supply as of December 31, 2021:



Presented in the table below are the percentages of water supply by source type for the Company's Top Five States for the year ended December 31, 2021:

	Surface Water	Ground Water	Purchased Water
New Jersey	74%	22%	4%
Pennsylvania	91%	7%	2%
Missouri	78%	21%	1%
Illinois	54%	35%	11%
California	—	65%	35%

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

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

In connection with supply planning for most surface or groundwater sources, the Company employs models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored so that supply capacity deficits may, to the extent possible, be predicted and mitigated through demand management and additional supply development. In California, where the state has been experiencing a multi-year drought, the Company utilizes multiple water supply options including numerous ground water wells in multiple aquifers as well as various long-term purchase water agreements with regional water suppliers to optimize supplies while assuring resiliency during dry years. An example of the Company's use of long-term planning to ensure that it has adequate water supply is its involvement in the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, to be owned by the Company's California subsidiary, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes the California subsidiary's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water (formerly known as the Monterey Regional Water Pollution Control Agency) and the MPWMD. The Water Supply Project is intended, among other things, to fulfill obligations of the California subsidiary to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB"). For more information, see Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions and Note 17—Commitments and Contingencies—Contingencies—Alternative Water Supply in Lieu of Carmel River Diversions, in the Notes to the Consolidated Financial Statements.

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

Seasonality

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

Market-Based Businesses

The Company's Market-Based Businesses provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, and previously provided home services primarily to residential and smaller commercial customers through its former HOS business, which was sold on December 9, 2021. These businesses are not subject to regulation by state PUCs and the services provided generally do not require significant capital investment. Operating revenues for the Company's Market-Based Businesses were $563 million for 2021, $540 million for 2020 and $539 million for 2019, accounting for 14%, 14% and 15%, respectively, of the Company's total operating revenues for the same periods.

MSG enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations. MSG is the Company's remaining primary market-based business.

The Company also has five contracts with municipal customers to operate and manage water and wastewater facilities and provide other related services through its Contract Services Group ("CSG").

Military Services Group

MSG operates on 17 military installations under 50-year contracts with the U.S. government as part of its Utilities Privatization Program. The scope of these contracts generally includes the operation and maintenance of the installation's water and wastewater systems and a capital program focused on asset replacement and, in certain instances, systems expansion. The replacement of assets assumed when a contract is awarded to MSG is completed either through a discrete set of projects executed in the first five years of the contract or through the long term recapitalization program performed over the life of the contract. Traditionally, both of these programs are funded from the contract fee. At times, new assets are required to support the installation's mission, and the construction of these assets is funded by the U.S. government as separate modifications or amendments to the contract. The capital for these assets historically has not been funded through the Company's debt or equity issuances; rather, the Company has used limited working capital for short-term needs under these contracts. In April 2018, the U.S. Army instituted a requirement that a bidder must offer financing in its proposal for these new capital projects under existing contracts, but the U.S. Army's implementation of this requirement on existing contracts has limited the need for such financing. However, recent U.S. Army and Navy Utilities Privatization solicitations have included requirements for the successful bidder to finance discrete initial capital projects over either a five- or ten-year period after project completion. Three of MSG's current contracts require such capital project financing, which the Company is currently addressing through internal sources of liquidity.

The contract price for six of MSG's contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period, to reflect changes in contract obligations and anticipated market conditions. The remaining 11 contracts with the U.S. government are subject to annual price adjustments under a mechanism called "Economic Price Adjustment." All 17 contracts could be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government, or as a result of default or non-performance by the MSG subsidiary performing the contract. In either event, pursuant to termination provisions applicable to all of these contracts, MSG would be entitled to recover allowable costs that it may have incurred under the contract, plus the contract profit margin on incurred costs. MSG's backlog of revenue associated with its contracts with the U.S. government is approximately $6.2 billion, with an average remaining contract term of 41 years.

Sale of Homeowner Services Group

The Company has provided various warranty protection programs and other home services primarily to residential and smaller commercial customers through its HOS operations. On the Closing Date, the Company sold all of the equity interests in its HOS subsidiaries to an indirect, wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately $1.275 billion. See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Competition

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

Environmental, Health and Safety, Water Quality and Other Regulation

The Company's water and wastewater operations, including the services provided by both its Regulated Businesses and Market-Based Businesses, are subject to extensive federal, state and local laws and regulations

governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water the Company delivers to its customers, and the manner in which it collects, treats, discharges, recycles and disposes of wastewater. In the United States, these regulations are developed under federal legislation including the Safe Drinking Water Act, the Reduction of Lead in Drinking Water Act and the Clean Water Act, and under a variety of applicable state laws. Environmental, health and safety, and water quality regulations are complex and may vary from state to state in those instances where a state has adopted a standard that is more stringent than the federal standard. For example, while the EPA has issued a non-enforceable Health Advisory for the combined level of two perfluorinated compounds (perfluorooctanoic acid, or PFOA, and perfluorooctane sulfonic acid, or PFOS), the New Jersey Department of Environmental Protection was the first state agency to establish a standard for perfluorononanoic acid, or PFNA, in 2018 and has since established maximum containment levels for PFOA and PFOS, with implementation occurring in January 2021. The Company is also subject to various federal, state, and local laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. PUCs also set conditions and standards for the water and wastewater services the Company delivers.

The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources, recognizing that drinking water standards have generally, over time, increased in number and become increasingly more stringent. As newer or stricter standards are introduced, the Company's capital and operating costs needed to comply with them will likely increase. The Company incurs substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which its operations are subject and the Company invests in technology solutions for enhanced detection and monitoring of water quality issues. The Company estimates that it will make capital expenditures of approximately $850 million over the next five years, including $180 million in 2022, for environmental control facilities, which the Company defines for this purpose as any project (or portion thereof) that involves the preservation of air, water or land. The Company believes that its operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

The Company's operations also involve the use, storage and disposal of hazardous substances and wastes. For example, the Company's water and wastewater treatment facilities store and use chlorine and other chemicals that generate wastes that require proper handling and disposal under applicable environmental requirements. The Company also could incur remedial costs in connection with any contamination relating to its operations or facilities or its off-site disposal of wastes. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as current and former owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although the Company is not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs to the Company. The Company's facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder.

Safe Drinking Water Act

The Safe Drinking Water Act and related regulations establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous, naturally occurring and manufactured chemical and microbial contaminants and radionuclides allowable in drinking water, and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems that may be used for removing those contaminants, and other requirements. To date, the EPA has set standards for over 90

contaminants and water quality indicators for drinking water, and there is a process in place to make a regulatory determination on at least five additional compounds every five years.

To help formulate the basis for future regulations, the EPA has the authority to require monitoring for additional, unregulated contaminants under the Unregulated Contaminant Monitoring Rule (the "Monitoring Rule"). The Company's facilities have participated in the data gathering effort for the Monitoring Rule in previous rounds, which occurs every five years, including the fourth round that concluded at the end of 2020. There are millions of other chemical compounds that are not regulated, many of which lack a testing methodology, occurrence data, health effects information and/or cost-effective treatment options. The process of developing new drinking water standards is long and complex, but the Company actively participates with the EPA and other water industry groups by sharing research and water quality operational knowledge. See Research and Development—Contaminants of Emerging Concern for additional information.

To effect the removal or inactivation of microbial contaminants, the EPA has established various rules to improve the disinfection and filtration of drinking water and to reduce consumers' exposure to disinfectants and/or the by-products of their use in the disinfection process. Examples of these rules are the Long-Term 2 Enhanced Surface Water Treatment Rule (the "Long-Term 2 Rule"), the Stage 2 Disinfectants and Disinfection Byproduct Rule, the Ground Water Rule, which is applicable to systems providing water from underground sources and the revised Total Coliform Rule, which implemented a "find and fix" process where exceeding bacterial trigger levels requires an assessment to correct any sanitary defects. The Company is within the EPA's time frame for compliance with all of these standards, which includes sample collection, data analysis, and, in some instances engineering planning and implementation of treatment enhancements. Recent monitoring as required by the Long-Term 2 Rule has indicated that up to 30 of the Company's surface water systems have recently completed or need to implement additional disinfection protection mechanisms against Cryptosporidium. In many cases, this will involve installing ultraviolet light disinfection systems, and although several plants have already completed assessments and upgrades, an estimated $100 million to $150 million of investment will still be required to upgrade the remaining facilities for Cryptosporidium disinfection. Further, the EPA is actively considering regulations for a number of contaminants, including strontium, hexavalent chromium, fluoride, nitrosamines, some pharmaceuticals and certain volatile organic compounds. The Company does not anticipate that any such regulations, if enacted, will require implementation in 2022.

The Company conducted over 10 million water quality and turbidity tests in 2021 at its laboratory facilities and plant operations, including continuous online instrumentations such as monitoring turbidity levels, disinfectant residuals and adjustments to chemical treatment based on changes in incoming water. The Company participates in the Partnership for Safe Water, the EPA's voluntary program to meet more stringent goals for reducing microbial contaminants. With 67 of the Company's surface water treatment plants receiving the EPA program's prestigious "Director" award, which recognizes utilities that (i) have completed a comprehensive self-assessment report, (ii) created an action plan for continuous improvement, and (iii) produced high-quality drinking water, the Company accounts for approximately one-third of the plants receiving such awards nationwide. In addition, 66 of the Company's surface water treatment plants have received the "Five-Year Phase III" award, 62 plants have received the "Ten-Year Phase III" award, 57 plants have received the "Fifteen-Year Phase III" award, and 39 plants have received the "Twenty-Year Phase III" award; these awards recognize plants that have met the Director award status for five, 10, 15 and 20 years, respectively. Further, nine of the Company's surface water plants have received the "Presidents" award, which recognizes treatment plants that achieve the Partnership's rigorous individual filter effluent turbidity standards and have maintained this status for at least five years.

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

inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from these pending or future requirements.

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

In 1991, the EPA published the Lead and Copper Rule ("LCR") to control lead and copper in drinking water and, since that time, has issued minor revisions in 2000, 2004 and 2007, enhancing monitoring, reporting and public education requirements. In 2011, Congress enacted the Reduction of Lead in Drinking Water Act regarding the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. While these advances have made an impact in reducing lead exposure in drinking water, legacy lead plumbing materials, primarily in building plumbing, still remain in many communities. The failure of certain water systems in the United States to comply with the requirements of the LCR has received recent media attention and scrutiny, and in certain cases, has led to a number of investigations and the imposition of significant penalties and sanctions against the operators of those systems and others. As part of its ongoing water main replacement and service line renewal projects, the Company has started to replace lead service lines ("LSLs") in accordance with current scientific guidance. Also, the Company utilizes appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements. The EPA finalized revisions to the LCR (the "Revised LCR") on January 15, 2021 that are designed to provide more effective protection of public health by reducing exposure to lead and copper in drinking water. The Company is executing an implementation strategy to comply with the new requirements, which were originally mandated by January 2024 but have been delayed until at least late 2024 pending EPA additional review. Capital expenditures and operating costs associated with the Revised LCR will be determined once the EPA completes its additional review, but as previously noted, costs associated with compliance with federal water quality regulations have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates.

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

Clean Water Act

The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to the Company's wastewater

collection systems, its operations require discharge permits under the National Pollutant Discharge Elimination System ("NPDES") permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA and implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of fines and penalties, and persistent non-compliance could lead to significant fines and penalties and other compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on the Company's operations. From time to time, discharge violations occur at the Company's facilities, some of which result in fines. The Company does not expect any such violations or fines to have a material impact on its results of operations or financial condition.

Research and Development

The Company's Research and Development Program

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

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

Contaminants of Emerging Concern

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

The Chemicals Abstract Service Registry contains over 192 million registered chemicals, with an estimated 1,400 species of disease-causing microbes that can affect humans. The Company is continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to its water supply, to act on emerging regulations and new health advisories, and to evaluate the

benefits of alternative or advanced treatment technologies. The Company utilizes water quality testing equipment and implements new and emerging technologies to help detect potential water supply contamination issues. Examples of the Company's efforts include:

- monitoring impacts of the COVID-19 pandemic on environmental virus loads and removal efforts through wastewater systems;
- characterizing factors that contribute to the formation of potentially carcinogenic disinfection by-products to define best practices for their mitigation;
- using its research findings to communicate information to its customers regarding potential actions to limit occurrences of Legionella in their buildings; in this regard, the Centers for Disease Control and Prevention statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with customer-owned plumbing systems in large buildings;
- defining a framework to support management or possible future regulation of opportunistic pathogens;
- developing expanded monitoring methods for PFAS compounds and piloting treatment techniques;
- leading a PFAS risk communication strategy for the water sector;
- using innovative technologies to detect and manage algal blooms to help prevent taste and odor events and cyanotoxins before they get to the water treatment plant;
- monitoring of taste and odor issues that impact customer satisfaction using expanded analytical methods to detect compounds, and evaluating and recommending treatment practices;
- implementing water source assessment tools, including sensors and data analytics, to evaluate and track chemical storage and aid in the identification of source water contamination events;
- developing methodology and advanced measurement techniques for contaminants of emerging concern to investigate transport, occurrence and treatment; and
- implementing activated carbon, biofiltration and ion exchange treatment to seek to control contaminants of emerging concern.

Service Company and Security

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

The Company's security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout its operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company's physical assets, business systems and operational technologies. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against

unauthorized access to the Company's information systems. These controls are aimed at (i) assuring the continuity of business processes that are dependent upon automation, (ii) maintaining the integrity of the Company's data, (iii) supporting regulatory and legislative compliance requirements, and (iv) maintaining safe and reliable service to the Company's customers. The Company engages in partnerships with U.S. federal, state and local law enforcement agencies to coordinate and improve the security of its water delivery systems and to safeguard its water supply and operations.

Environmental, Social Responsibility and Governance

The Company considers environmental, social responsibility and governance ("ESG") principles fundamental to its corporate strategy and values. Integration of these principles into the Company's daily operations emphasizes its belief that "how" a company operates is just as important as "what" a company does. The Company's vision and values drive its strategies, which are centered on five central themes:

- Safety—The safety of the Company's employees and customers is the number one focus for American Water.
- Customers—The Company's customers are at the center of everything it does, helping the Company to shape its strategic priorities.
- People—Maintaining an environment that is open, transparent, diverse and inclusive, and where the Company's people feel valued, included and accountable, is critical to the Company's ability to serve its customers every day.
- Operational Excellence—The Company strives to find better and more efficient ways to do business, and to provide safe, clean and affordable water services for its customers.
- Growth—The Company believes that through growth, it can invest in creating more jobs, better training and benefits, and improved infrastructure in its communities. The Company's growth also creates greater efficiencies of scale and drives improved customer affordability, which benefits all of its stakeholders, including shareholders.

In 2021, the Company issued its sixth biennial Sustainability Report, covering its sustainability performance for calendar years 2020 and 2019. This report can be accessed on the Company's website. In addition, the Company issued its first annual Inclusion & Diversity Report, which shares the inclusion and diversity strategies, practices, policies, and programs from across the business. The Company's values and actions have achieved prestigious recognition by many leading firms devoted to recognizing companies that demonstrate ESG leadership. Most recently, the Company received the highest S&P Global Ratings ESG Evaluation score given to a U.S. company and the third highest globally, and was ranked 19th within Barron's list of the 100 Most Sustainable Companies. Additionally, the Company was included in the Bloomberg Gender Equality Index for the fourth consecutive year, and the Company recently achieved the ranking of sixth on the Corporate Knights' Global 100 Most Sustainable Corporations in the World index.

The following goals and actions highlight the Company's commitment to embedding ESG principles throughout its business:

Environmental and Sustainability

- Energy and Emissions for the Company's Regulated Businesses
  - The Company clarified its existing goal to reduce by more than 40% its greenhouse gas ("GHG") emissions by 2025, from a 2007 baseline, as an absolute measurement of its scope 1 (direct) emissions, and scope 2 (indirect, derived from the Company's purchases of energy) emissions.
  - The Company lowered its GHG emissions through December 31, 2020 by approximately 36% since its base year of 2007. GHG emissions data for the full calendar year 2021 is expected to be released in April 2022.

- Water Efficiency and Resiliency for the Company's Regulated Businesses
  - The Company established a water efficiency goal to meet customer needs while saving 15% in water volume delivered per customer by 2035, compared to a 2014 and 2015 averaged baseline. The Company has lowered its water delivery per customer over the last three years. The Company reduced its water volume delivered per customer compared to a 2015 baseline by 5.0%, 5.3% and 4.3% as of December 31, 2021, 2020, and 2019, respectively.
  - The Company has further utilized a uniform water system resiliency metric, the Utility Resilience Index ("URI"), to track enhancements in the Company's ability to prepare for, respond to, remediate and effectively manage incidents impacting its operations. The Company plans to increase its URI weighted average by 10% by 2030 from a 2020 baseline. The URI is a part of the American Water Works Association's J-100 voluntary consensus risk and resilience standard and focuses on a utility's ability to manage incidents affecting its customers, employees and assets, and return to normal operations as quickly as possible.
  - Approximately 10-12% of the Company's total projected capital investment over the next five years is dedicated to resiliency, accounting for approximately $1.2 billion to $1.4 billion allocated to renewing and improving assets of the Regulated Businesses.
- Policy Leadership
  - The Company employs a team of R&D scientists dedicated to partnering with water research organizations on water quality and technology-based source water monitoring.
  - The Company collaborates and partners with federal and state agencies to support effective environmental, health and safety and water quality standards and regulations.

Social Responsibility

- Customers
  - For 2021, the Company achieved an aggregate customer satisfaction rating in the top quartile among the Company's industry peer group.
  - To better reflect the customers that the Company serves, the Company increased spend with diverse suppliers and small businesses in 2021 by more than 10% year over year.
- Employees
  - During 2021, over 109,000 hours of safety training were completed by the Company's employees.
  - The Company has made significant progress toward its zero injuries goal, reducing workplace injuries by 66% since 2015. Through year end 2021, the Company has further reduced its OSHA recordable injury rate ("ORIR") to 0.97, the lowest in the Company's recorded history, which is approximately two times better than the water industry average.
  - During 2021, approximately 86% of the Company's job requisitions had a diverse candidate pool, with approximately 58% of transfers or promotions filled by diverse individuals.
  - In 2021, the Company named Cheryl Norton as its first female Executive Vice President and Chief Operating Officer.
- Communities
  - In December 2021, the Company authorized the contribution of $45 million to the American Water Charitable Foundation ("AWCF"), a 501(c)(3) private foundation established by American Water in 2010.

- More than $941 thousand was donated in 2021 by the Company's employees and the AWCF through workplace giving campaigns including the United Way, Water For People and other volunteering giving campaigns that supported more than 1,500 public charities nationwide.

Governance

- Board and Committees
  - The Board of Directors and each of its standing committees are led by an independent, non-executive chairperson.
  - The Board of Directors met 14 times in 2021.
  - The Board of Directors reflects gender, racial and experiential diversity. As of December 31, 2021, 54.5% of the Company's directors voluntarily self-identified as female or racially diverse.
  - The Company's average director tenure was approximately 7.2 years as of December 31, 2021.
- Demonstrated and Representative Expertise
  - The members of the Company's Board of Directors have demonstrated expertise, including, among others, experience in utility and finance operations, customer service, cybersecurity, the military, financial services and capital markets, service as a public company CEO, CFO and/or board member, and management of global operations.
- Transparency
  - The Company discloses on its website its Political Contributions Policy and, on an annual basis, information related to its political contributions and lobbying expenditures.
  - The Company makes available on its website its ESG goals and achievements.

Human Capital Resources

Overview

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

Employee Health and Safety

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

To uphold the Company's commitment to safety, the Company's employees completed over 100,000 hours of employee safety training during 2021. Additionally, through frequent labor-management meetings, the Company encourages open exchanges to explore new ways to further enhance safety on the job. All employees

are empowered to demonstrate safety leadership by taking the time they need to complete a task safely and to use "Stop Work Authority" — the power to stop working immediately whenever they believe a task is unsafe — to personally mitigate the hazard or issue or collaborate with management to create a safe situation. The Company believes that this Stop Work Authority is so important that it is stated on the back of every employee's identification badge.

For 2021, the Company had its lowest ORIR injury rate in its recorded history, achieving a 2% reduction compared to 2020, even though labor hours increased by 5%. Also, the number of injuries for purposes of the Company's Days Away Restricted or Transferred ("DART") rate decreased by 14% compared to 2020. For 2021, the Company's ORIR was 0.97 (64 injuries) and its DART rate was 0.54 (36 injuries), compared to an ORIR of 0.99 (63 injuries) and a DART rate of 0.63 in 2020.

In 2021, American Water teams led by promoting safety leading indicator activities, including pre-job safety briefings and near miss reporting, and by achieving internal Certified Safe Worker designations. Near miss reports, where employees report potential hazards or incidents in a safe and secure manner, increased by 27% in 2021 over 2020, and 99% of near miss incident corrective actions were completed within 30 days, meeting the Company's 2021 goal. The Company utilizes near miss reporting and timely corrective actions as key measurements of employee engagement and safety performance.

Understanding that some employees may have delayed seeking preventative or other medical care due to the COVID-19 pandemic, a 2021 priority for the Company was to encourage employees to increase their utilization of preventative exams. Through the Company's marketing efforts and targeted incentives in its myWellness program, the Company sought to encourage employees to take preventative health actions. The number of total preventative care exams completed by the Company's employees increased by 15% during 2021 compared to 2020.

Supporting Employees During the COVID-19 Pandemic

American Water remains committed to the health, well-being and safety of its employees and families, as well as its customers and communities. The Company's Emergency Crisis Response Team ("ECRT") continued to deploy a COVID-19 contact tracing program to reduce the risk of COVID-19 transmission at work. The ECRT consistently monitors current events and the latest public health guidance and adjusts workplace safety measures and the Company's COVID-19 guidance accordingly. During the pandemic, American Water provided temporary medical and emotional health benefits, including paid time off and emergency leave. The Company also supported employees and their families during the uncertainty of the pandemic by providing additional resources, such as enhanced well-being support, workplace flexibility, back-up dependent care, caretaker database discounts and academic support. American Water did not lay off any employees due to the pandemic.

As an essential business that must continue to provide water and wastewater services during the COVID-19 pandemic, the Company continued to focus on the care and safety of its employees, contractors, vendors and others who work at or visit the Company's worksites. In 2021, as COVID-19 vaccines became more readily available, the Company began planning for the reintegration of those who had been working remotely back to its work facilities, and also began to implement safety protocols based on current COVID-19 health guidance for the return of employees to perform work in customers' homes. Furthermore, the Company has continued to support employee health and safety by providing safety training and resources, continuing to enforce safety protocols such as maintaining social distancing, requiring the use of face coverings at work, and encouraging good hygiene and frequent handwashing and cleaning of work areas. The Company continues to receive input from its employees via pulse surveys throughout the COVID-19 pandemic, which has also helped to shape the Company's pandemic-related responses and a flexible return to hybrid work where possible. Throughout the fall of 2021, managers and employees who had been working remotely during the pandemic began to return to the Company's offices and facilities with increasing frequency, in preparation for a three-day in-person, two-day remote work week, where feasible.

Inclusion, Diversity and Equity

In 2021, the Company continued to evolve its inclusion and diversity strategic framework to include equity. The Company defines equity as fair treatment, access, opportunity and advancement for all people, while also eliminating barriers that may prevent some groups from full participation. The Company promotes an environment where inclusion, diversity and equity are embedded in its culture. At all levels, the Company strives to understand, respect, value and provide equal opportunity to each employee. The Company seeks to foster an environment where employees' differences are embraced and celebrated. The Company holds as an essential concept the right of employees to proudly share their ideas and unique perspectives in an environment built on mutual respect, equity and inclusion. The Company is committed to diversity among its workforce, executive and senior management leadership teams, by reflecting the diversity of the communities in which the Company serves. The Company expects all of its leaders to lead with inclusion, diversity and equity.

During 2021, the Company published its first Inclusion & Diversity Report. The report shares the Company's diversity strategies, practices, policies and programs from across the business and includes more than 100 data points related to building a culture of inclusion. The following graphic highlights the Company's principal employee inclusion, diversity and equity metrics for 2021 based on its employee headcount as of January 1, 2022, and which are based on responses from employees who voluntarily self-reported this information to the Company.



During 2021, 85.6% of the Company's hiring candidate pools were diverse. For this purpose, diversity refers to gender, race, ethnicity, disability and/or veteran/military status, based on voluntary, self-identified employee information.

The Company maintains active memberships with groups such as Hiring our Heroes, Military Spouse Employment Partnership, American Corporate Partners, CEO Action for Diversity and Inclusion, Disability:IN, Paradigm for Parity, and Out and Equal, to further enhance its ability to recruit and retain diverse employees. Among this year's recognitions, the Company was designated as a 2021 Military Friendly® Top 10 Gold Employer and recognized by Military Times for its industry-leading efforts on hiring and supporting U.S. military veterans. The Company was also a top scorer in the 2021 Disability Equality Index for the third consecutive year and was recognized by U.S. Veterans Magazine as a veteran-friendly company and as an organization with a veteran-friendly supplier diversity program.

In keeping with the Company's values, the Company does not tolerate discrimination, harassment or retaliation by or toward any employee, vendor, customer or other person in its workplace. All employees are

required to complete anti-harassment, workplace respect and dignity, unconscious bias and inclusion and diversity training. In addition, annual Code of Ethics training is provided to all employees, which includes education on using the Company's anonymous hotline for reporting potential Code of Ethics violations.

In 2021, the Company launched four employee business resource groups ("EBRGs"), which represent diverse employee demographics (Women, African American/Black, LGBTQ+ and Disabilities) throughout the Company. EBRGs offer opportunities for employees to share ideas and best practices, and to create measurable and long-lasting positive impacts on the Company's culture. The Company's Inclusion and Diversity Advisory Council oversees the formation, goals and actions of the EBRGs to support the Company's inclusion diversity and equity priorities.

To further its commitment to inclusion, diversity and equity, and in response to feedback from employees about work-life balance, in 2021, the Company announced a new Inclusion Holiday Swap benefit, to allow the opportunity for all employees to swap a Company holiday with another day of their choosing that more closely reflects their personal values, beliefs or culture. In addition, the Company is evaluating the implementation of workforce diversity goals in certain of its compensation programs.

Total Rewards

Employees are considered the Company's greatest assets and the Company views their overall well-being to be as important as their physical safety. American Water's health and well-being programs aim for employees to go home in the same or better condition than when they came to work. Health and well-being programs are approached holistically by offering the following benefits, among others: medical, prescription, dental, vision, disability and life insurance coverage, as well as a health and wellness program and a menu of additional voluntary benefits. The Company's Total Rewards programs are designed to reflect many aspects of employee health and well-being, cultivate an inclusive workforce and motivate, attract and retain talent to seek to achieve the Company's strategic business priorities.

As part of Total Rewards, the Company provides a comprehensive compensation and benefit program designed to recognize the vital roles the Company's employees play. Further, all of the Company's employees, including those who are union-represented, participate in the Company's Annual Performance Plan, to promote alignment in bonus compensation to the Company's short-term performance goals. Moreover, all employees who average 30 hours or more per week receive full-time benefits. Approximately 90% of all benefit eligible employees are enrolled in the Company's healthcare benefits. Full-time employees pay approximately 16% of the total cost of medical, dental and vision coverage. The Company offers its non-union employees who average 20 to 30 hours per week medical, dental and vision coverage at 50% of the total cost. Additional medical benefits include coverage for applied behavior analysis, autism treatment, transgender services and hearing aids, as well as a fertility assistance benefit to assist employees in building a family. The Company also offers additional employment benefits, including holiday, vacation and sick time, which are at levels generally greater than or equal to those offered by other companies in the utility industry. For example, the Company offers its employees up to two weeks of paid leave in connection with the birth, adoption or foster placement of a child, or to take care of a sick family member.

The Company believes that good emotional and mental health is fundamental, and offers a behavioral health benefit to assist employees and their families to maintain their well-being. Additionally, the Company offers an employee assistance program (EAP) that provides all employees and their eligible dependents with access to a variety of support resources free of charge. The EAP provides confidential support through its Work-Life Specialists to help individuals who are experiencing a variety of challenges, including financial, legal, family and emotional needs. The EAP provides guidance, resources and expert referrals based on an individual's needs. In addition, the Company provides all employees and their families with access to an interactive online wellness program that supports and encourages a healthy lifestyle both at work and at home. In 2021, the Company enhanced its internal myWellness website to include additional tools and activities for employees, including customized programs and action cards tailored to an individual's self-identified health needs.

Talent Development

The Company provides learning opportunities and work experiences to equip its employees with the tools, skills, and competencies they need to operate safely and effectively and to grow professionally. To this end, the Company has established an Employee Experience and Talent Development team to help develop and deploy programs that are designed to attract, motivate, develop and retain talented employees, and foster a learning culture. The Company requires every employee, including its union-represented employees, to complete a minimum of 25 hours of training each year (an increase in the 20-hour requirement for 2020). Approximately 98% of active full-time employees hired before October 1, 2021 met this requirement for 2021, with over 331,000 hours of total training completed during the year, including approximately 109,000 hours of safety training. In addition to required role-based training, managers assist employees to identify professional development opportunities to help them reach their full potential and grow their careers. Additionally, in 2021, approximately 58% of the Company's internal employee transfers and promotions were diverse (defined as female, minority, disability, military, military spouse, and LGBTQ+ status, based on voluntary employee self-identification), which reflects the Company's commitment to employee development and career growth as well as the Company's focus on diversity, inclusion and equity, and a desire for its employees to reflect the communities in which it operates.

Developing talent and ensuring a pipeline to executive leadership is a critical priority for the Company. During 2021, the Company engaged in succession planning activities for the Company's critical positions and executive leaders. These succession plans aid in providing continued leadership for the growth and future of the Company's business, while also seeking to promote diversity, retention and development. In addition to succession of executive leadership roles, in 2022, the Company plans to focus on talent reviews, which will include identification of critical skill and competency areas, a focus on diverse emerging talent, and a discussion of strengths, gaps, and development plans. Talent reviews will be conducted for a select group of employees, including employees who are being assessed for senior leadership or other critical roles.

Employee Experience

The Company's employee value proposition ("EVP") focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer. The Company continually seeks to shape and refine its employee experience, and therefore its EVP, by offering an inclusive employee culture, employee development opportunities and competitive compensation and benefits. In developing its current EVP, the Company identified components that it believes are important to its employees and then solicited and received feedback from over 400 Company employees on those components to understand better the aspects that they value from their employer. From this employee outreach, and as a part of its EVP, the Company developed weCare, which is comprised of the following five components: deeper connections, personal growth, shared purpose, flexibility and well-being.

Workforce Data

As of January 1, 2022, the Company had approximately 6,400 employees. For 2021, the Company's employee turnover rate, which the Company defines as the ratio of the number of separated employees to the 12-month average headcount during 2021, was 13.1%, up from 7.4% in 2020. American Water seeks to reduce employee turnover by assessing its EVP and through its efforts to foster the Company's employee experience.

As of January 1, 2022, approximately 47% of the Company's workforce was represented by unions, which include 73 collective bargaining agreements with 14 different unions. Additionally, in 2022, the Company has begun to negotiate two new collective bargaining agreements, which would cover approximately 180 employees. During 2022, 21 of the Company's collective bargaining agreements are set to expire in accordance with their terms and the Company expects to be able to negotiate these agreements during the year. The Company collaborates with union leadership on topics such as safety, customer, technology and employee benefits in forums such as the Joint Healthcare Committee, National Labor Management Committee and the annual Labor Management Conference.

Board Oversight

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

Information About Our Executive Officers

Presented in the table below are the name, age, offices held and business experience for each of the Company's executive officers, as of February 16, 2022:

Name	Age	Office and Experience
M. Susan Hardwick	59	**President, Chief Executive Officer and Chief Financial Officer.** Ms. Hardwick joined the Company in June 2019 as its Executive Vice President—Finance and has served as its Executive Vice President and Chief Financial Officer since July 2019. From December 7, 2021 until January 31, 2022, Ms. Hardwick also served as Interim Chief Executive Officer, and, on February 2, 2022, was elected as President and Chief Executive Officer. Ms. Hardwick previously served as the Executive Vice President and Chief Financial Officer of Vectren Corporation, which was sold to CenterPoint Energy, Inc., an electric and natural gas utility, on February 1, 2019. Ms. Hardwick joined Vectren Corporation in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co. Ms. Hardwick is a Certified Public Accountant. Since September 2020, Ms. Hardwick has served on the Board of Directors of New Jersey Resources Corporation, a diversified energy services company, where she is currently serving a three-year term expiring in 2024, and since January 1, 2021, she has served as a member of its Audit Committee.

Name	Age	Office and Experience
Maureen Duffy	52	**Senior Vice President, Communications and External Affairs.** Ms. Duffy has served as Senior Vice President, Communications and External Affairs since January 2020 and has been an executive officer of the Company since June 2020. Prior to that, Ms. Duffy served as Vice President, Corporate Communications and Federal Affairs from May 2017 to December 2019 and Vice President, Corporate Communications and External Affairs from September 2011 to May 2017. From July 2006 to September 2011, Ms. Duffy held various positions of increasing responsibility in the Company's internal and external corporate communications function. From November 1999 to July 2006, she held various positions with the Company's New Jersey subsidiary, including Government Affairs/Media Specialist, Communications Manager and Director of Corporate Communications. Prior to joining American Water, Ms. Duffy reported and produced news for WNJN/WNET-TV.
Melanie M. Kennedy	48	**Executive Vice President, Chief Human Resources Officer.** Ms. Kennedy has served as the Company's Executive Vice President, Chief Human Resources Officer since December 9, 2021, and as Senior Vice President, Chief Human Resources Officer from December 2020 to December 2021. Prior to that, she served as the Company's Senior Vice President, Human Resources from March 2017 to December 2020. From August 2014 through February 2017, Ms. Kennedy served as the Company's Vice President, Human Resources, and from August 2012 to August 2014, she served as Director, Human Resources in the Company's Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.
James S. Merante	47	**Vice President and Treasurer**. Mr. Merante has served as the Company's Vice President and Treasurer since February 2019. Prior to that, Mr. Merante was Vice President, Internal Audit from February 2018 to February 2019, and served as Divisional Chief Financial Officer for the Company's Mid-Atlantic Division from July 2014 until February 2018. Mr. Merante is a Certified Public Accountant.
Adam Noble	56	**Chief Technology and Innovation Officer.** Mr. Noble has over 30 years of collective experience in the information technology sector. Mr. Noble joined the Company in August 2020 as its Chief Technology and Innovation Officer. Prior to joining the Company, Mr. Noble served as Senior Vice President and Chief Information Officer of Veritiv Corporation, a North American business-to-business distributor of packaging and facility solutions, since June 2019. Previously, Mr. Noble served as Senior Vice President and Global Chief Information Officer at GAF Materials Corporation, a global manufacturing company, from May 2010 to March 2019, and as its Vice President and Chief Information Officer from May 2006 to April 2010.

Name	Age	Office and Experience
Cheryl Norton	57	**Executive Vice President and Chief Operating Officer.** Ms. Norton has over 30 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management and research. She has been serving as the Company's Executive Vice President and Chief Operating Officer since March 1, 2021 and served as its Senior Vice President, Chief Environmental Officer from March 2020 to March 2021. She was also the Company's Senior Vice President, Eastern Division and President of its New Jersey subsidiary from March 2019 to March 2021. Prior to that, Ms. Norton served as President of the Company's Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.
Melissa K. Wikle	56	**Chief Accounting Officer.** Ms. Wikle joined the Company in July 2016 as its Vice President and Controller and assumed the duties of the Company's principal accounting officer in August 2016. She has served as Chief Accounting Officer since December 9, 2021. Prior to joining the Company, Ms. Wikle served as Corporate Controller and Chief Accounting Officer of Columbus McKinnon Corporation, a publicly traded worldwide designer, manufacturer and marketer of material handling products, systems and services, since April 2011. Ms. Wikle is a Certified Public Accountant.

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

Available Information

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

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

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

ITEM 1A. RISK FACTORS

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

Risks Related to Our Industry and Business Operations

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

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

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

- cover our expenses, including purchased water and costs of chemicals, fuel and other commodities used in our operations;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

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

PUCs and other governmental authorities have taken, and may continue to take, emergency or other actions in light of the on-going COVID-19 pandemic that may impact us, including prohibiting the termination of service for non-payment and extending or delaying procedural schedules in our regulatory proceedings. We are unable to predict the range of impacts that the ongoing COVID-19 pandemic and other related events may have on our ability to obtain these approvals as needed or requested by our Regulated Businesses in the ordinary course or at all, or the nature or impacts of any further emergency or other action that may be taken by the PUCs or other governmental authorities.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if the rates approved are sufficient, we face the risk that we will not achieve the rates of return on our invested capital to the extent permitted by state PUCs. This could occur if certain conditions

exist, including, but not limited to, water usage is less than the level anticipated in establishing rates, customers increase their conservation efforts, or we experience unanticipated impacts of the on-going COVID-19 pandemic, or if our investments or expenses prove to be higher than the levels estimated in establishing rates.

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

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

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

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

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

Attention is being given to contaminants of emerging concern, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). Examples of sources of contaminants include, but are not limited to, newly created chemical compounds (including, for example, manufactured nanomaterials); human and veterinary products; perfluorinated and polyfluorinated compounds; bacteria, microbes, viruses (including the coronavirus), amoebae

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

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

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

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with an October 2009 cease and desist order (the "2009 Order"), as amended by a July 2016 order (the "2016 Order"), of the SWRCB that requires our California subsidiary to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule that terminated on December 31, 2021 (the "2021 Deadline"). See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter. We are also required to augment our Monterey County sources of water supply to comply with the requirements of the Endangered Species Act. Beginning in January 2022, Cal Am currently expects that it will be able to comply with the diversion reduction requirement schedule contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order may result in material additional costs or obligations, including fines and penalties against our California subsidiary in the event of noncompliance with the 2009 Order and the 2016 Order, which could have a material adverse effect upon us and our business, results of operations and cash flows.

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

Service interruptions due to severe weather, climate variability patterns and natural or other events are possible across all our businesses. These include, among other things, storms, freezing conditions, high wind conditions, hurricanes, tornadoes, earthquakes, landslides, drought, wildfires, coastal and intercoastal floods or

high water conditions, including those in or near designated flood plains, pandemics (including the COVID-19 pandemic) and epidemics, severe electrical storms, sinkholes and solar flares. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. Tariffs in place or cost recovery proceedings with respect to our Regulated Businesses may not provide reimbursement to us, in whole or in part, for any of these impacts.

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

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

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

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

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

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

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

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

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

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

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

shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

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

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

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

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

Adverse economic conditions, including the COVID-19 pandemic or other factors, may cause our customers, particularly industrial and large commercial customers, to curtail operations. A curtailment of operations by such a customer typically results in reduced water usage by that customer. In more severe circumstances, the decline in usage could be permanent. Any decrease in demand resulting from difficult economic conditions affecting these customers could adversely affect our financial condition and results of operations. Tariffs in place with respect to our Regulated Businesses may not reimburse us, in whole or in part, for any of these impacts.

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

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2021, we invested $1.8 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will continue into the future and, we believe, will increase. We expect to fund capital improvement projects using cash generated from operations (including, among other things, a portion of the net proceeds from the sales of HOS and our New York subsidiary), borrowings under our revolving credit facility and commercial paper programs and issuances of long-term debt and equity. We may not be able to access our revolving credit facility or the commercial paper, long-term debt and equity capital markets, when necessary or desirable to fund capital improvements on favorable terms or at all. If we are not able to obtain sufficient financing, we may be unable to maintain our existing property, plant and equipment, fund our capital investment strategies, meet our growth targets and expand our rate base to enable us to earn satisfactory future returns on our investments. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of supply chain interruptions, construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, legal and regulatory challenges, or other obstacles. Each of these outcomes could adversely affect our business, financial condition, results of operations and cash flows.

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

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

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

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

Two of our jurisdictions, California and Illinois, have adopted revenue stability mechanisms that permit us to recover the revenues authorized in a general rate case, regardless of sales volume. Revenue stability mechanisms are designed to recognize declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In those jurisdictions that have not adopted a revenue stability mechanism, our operating results could continue to be affected by seasonality.

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

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

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

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

Our business and operations have a large direct and indirect customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water service, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, accuracy and format of bills that are

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

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

The properties of our Regulated Businesses segment include 76 dams, the majority of which are earthen dams. The failure of any of these dams could result in personal injury and property damage, including without limitation downstream property damage, for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

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

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

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

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

An important element of our growth strategy is the acquisition and optimization of water and wastewater systems in order to broaden our current, and move into new, service areas. We may not be able to acquire other systems or businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates. Further, competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers may hinder our ability to expand our business.

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

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

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

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

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

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

For example, in November 2018, Monterey, California ballot Measure J, which was added by a citizens group, was certified as having been approved by a public vote, requiring the MPWMD to conduct a study and submit a written plan concerning the feasibility of a potential purchase of the Monterey system assets without an additional public vote. The public vote led to the issuance by the MPWMD in November 2019 of a preliminary report finding, among other things, that the acquisition of the Monterey system assets by the MPWMD would be economically feasible. Also, five municipalities in the Chicago, Illinois area formed a water agency that filed an eminent domain lawsuit against our Illinois subsidiary in January 2013, seeking to condemn a water pipeline that serves those five municipalities. This lawsuit remains pending, and a valuation trial is scheduled for the second quarter of 2022. See Item 1—Business—Regulated Businesses—Condemnation and Eminent Domain, which includes additional information regarding these matters.

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

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

We may be subject to physical and cyber attacks.

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

If, despite our security measures, a significant physical attack or cyber breach occurred, our operations could be disrupted, property damaged, and customer and other confidential information lost or stolen; we could experience substantial loss of revenues, response costs and other financial loss; we could suffer a loss of management time, attention and resources from our regular business operations; and we may be subject to increased regulation, litigation and damage to our reputation, any of which could have a negative impact on our business, results of operations and cash flows. Experiencing a cyber security incident could also cause us to be non-compliant with applicable laws and regulations or contracts that require us to securely maintain confidential data, causing us to incur costs related to legal claims or proceedings and regulatory fines or penalties. These types of events, either impacting our facilities or the industry in general, could also cause us to incur additional security and insurance related costs.

In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that could be targets of cyber attacks. Any theft, loss or fraudulent use of customer, employee or proprietary data as a result of a cyber attack could subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

We have obtained cyber insurance to provide coverage for a portion of the losses and damages that may result from a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss or damage caused by a breach. The market for cybersecurity insurance is relatively new and coverage available for cybersecurity events may evolve as the industry matures. In the future, adequate insurance may not be available at rates that we believe are reasonable, and the costs of responding to and recovering from a cyber incident may not be covered by insurance or recoverable in rates.

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

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

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

We maintain insurance coverage as part of our overall legal and risk management strategy to minimize potential liabilities arising from our Regulated Businesses, as well as the operations of our Market-Based Businesses. Our insurance programs have varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker's compensation, employer's liability, general liability, cybersecurity, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage or for which we are self-insured.

Although in the past we have been generally able to obtain insurance coverage related to our business, there can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

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

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

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

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

A significant part of our long-term strategic focus on safety, operational excellence, O&M expense efficiency, water quality, asset and capital management and the customer experience includes implementing new technologies for, among other things: customer service and support; environmental compliance; water metering; water quality and source monitoring; cybersecurity; business development and growth; data analysis; employee development and training; and other initiatives. For example, we have made and plan to continue to make significant investments in developing, deploying and maintaining customer-facing technologies, applications to support field service and customer service operations, water source sensor and evaluation technologies, data analytics and hyperautomation technologies and artificial intelligence technologies. Where appropriate, we also seek to align these new technologies with existing technology infrastructure and systems. There can be no assurance that we will be successful in designing, developing, deploying, integrating or maintaining these new technologies. Because these efforts can be long-term in nature, these new technologies may be more costly or time-consuming than expected to design, develop, integrate and complete and may not ultimately deliver the expected or desired benefits upon completion. While we have and will continue to seek to recover costs and earn a return on capital expenditures with respect to the costs and expenses of development and deployment of these new technologies in our Regulated Businesses, there can be no assurance that we will be able to do so in every instance or at all, and our inability to do so may adversely affect our ability to achieve intended O&M expense efficiencies or other key performance results and, ultimately, could materially and adversely impact our business, financial condition, results of operations and cash flows.

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

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

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

Our ability to serve our customers and operate our business in compliance with regulatory requirements is dependent upon purchasing or securing necessary goods and services from our suppliers and vendors. These items include but are not limited to contracted services, chemicals, pipe, valves, hydrants, fittings, fuel, equipment (including personal protective equipment), water and electricity. Examples of supply chain disruptions include reduced quantities of goods available in the marketplace, delays in manufacturing or shipping goods, labor shortages at our suppliers or vendors, natural disasters and operational impacts to some of our suppliers or vendors. Disruptions in our supply chain related to goods and services have occurred and we anticipate will continue to occur into the foreseeable future. Supply chain disruptions may cause us to be unable to purchase or otherwise obtain needed goods or services at a reasonable price or at all, and may significantly increase the price of goods and services we may obtain from suppliers and vendors. This, in turn, may adversely impact our operations and our ability to serve our customers in compliance with regulatory requirements, as well as our associated results of operations, cash flows and financial condition. While we attempt to plan for and have contingencies in place to address supply chain disruptions, our mitigation efforts may not be successful or may have further negative impacts on us.

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

Safety is a core value and a strategy at American Water. Our safety performance and progress to our ultimate desired goal of zero injuries are critical to our ability to carry out our operations effectively and to serve our customers, and thereby, to support our reputation. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public. Eliminating all hazards all of the time is extremely challenging, but through strict adherence to our health and safety practices, and empowering employees to be safety leaders who are expected to stop work if deemed "unsafe," we believe we can achieve an injury-free workplace.

At our business sites, including construction and maintenance sites, our employees, contractors and others are often in close proximity to large mechanical operating equipment, moving vehicles, pressurized water, electric and gas utility lines, below grade trenches and vaults, electrical and pneumatic hazards, fall from height

hazards, suspended loads, hazardous chemicals and other regulated materials. On many sites, we are responsible for safety and, accordingly, must implement important safety procedures and practices above governmental regulatory requirements. As an essential business that must continue to provide water and wastewater services during the COVID-19 pandemic, we are focused on the health and safety of our employees, contractors, vendors, customers and others who work at or visit our worksites. If the procedures we implement are ineffective or are not followed by our employees or others, or we fail to implement procedures, our employees, contractors and others may experience illness, or minor, serious or fatal injuries. Unsafe work sites have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

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

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

As of December 31, 2021, approximately 47% of our workforce was represented by unions, and we had 73 collective bargaining agreements in place with 14 different unions representing our unionized employees. These collective bargaining agreements, 21 of which will expire during 2022, are subject to periodic renewal and renegotiation. We may not be able to successfully renew or renegotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations, negatively impact the ability to serve our customers, and result in higher labor costs, which could adversely affect our reputation, financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Financial, Economic and Market-Related Risks

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

As of December 31, 2021, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was $11.0 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;
- exposing us to interest rate risk with respect to the portion of our indebtedness that bears interest at variable rates;
- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations;
- impairing our access to the capital markets for debt and equity;

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

In order to meet our capital expenditure needs, we may be required to borrow additional funds under the revolving credit facility or issue a combination of new short-term and long-term debt securities and/or equity. We continue to assess our short- and long-term liquidity needs in light of the impact of the COVID-19 pandemic on the financial and capital markets, especially with respect to the market for corporate commercial paper, which experienced volatility and shortages of liquidity in March 2020. In response to these events, in March 2020, we entered into a $750 million 364-day term loan facility and immediately executed a $500 million draw thereunder to support our short-term liquidity by retaining that amount in cash. We repaid this term loan facility in full in March 2021. During 2021, we utilized other existing sources of liquidity, such as our current cash balances, cash flows from operations and borrowings under the revolving credit facility as necessary or desirable to meet our short-term liquidity requirements. We believe that existing sources of liquidity will be sufficient to meet our cash requirements for the foreseeable future. However, as the impacts of the COVID-19 pandemic on the economy, the financial and capital markets and our operations continue to evolve, we will continue to assess our liquidity needs. In the event of a sustained market deterioration, we may need to obtain additional sources of liquidity, which would require us to evaluate available alternatives and take appropriate actions.

Moreover, additional borrowings may be required to repay or refinance outstanding indebtedness. Other than debt with respect to the term loan facility, debt maturities and sinking fund payments in 2022, 2023 and 2024 will be $57 million, $280 million and $474 million, respectively. We can provide no assurance that we will be able to access the debt or equity capital markets on favorable terms, if at all, to repay or refinance this debt. Moreover, as new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to repay or refinance existing debt on favorable terms.

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

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

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

In addition to cash from operations, during 2021, we generally relied primarily on a $2.25 billion revolving credit facility, a $2.10 billion commercial paper program, our $750 million 364-day term loan facility (which expired and was repaid in full in March 2021) and the capital markets, to satisfy our liquidity needs. The revolving credit facility currently expires in accordance with its terms in March 2025. Historically, we have regularly used our commercial paper program rather than the revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally could obtain in the commercial paper market. As of December 31, 2021, there were no outstanding borrowings under the revolving credit facility, $584 million of commercial paper outstanding and $76 million in outstanding letters of credit. There can be no assurance that we will be able to continue to access this commercial paper program or revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

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

Disruptions in the capital markets or changes in our credit ratings could also limit our ability to access capital on terms favorable to us or at all. While the lending banks that participate in the revolving credit facility have to date honored their commitments under those facilities, disruptions in the credit markets, changes in our credit ratings, or deterioration of the banking industry's financial condition could discourage or prevent lenders from meeting their existing lending commitments, extending the terms of such commitments, or agreeing to new commitments. In such a case, we may not be able to access the commercial paper or debt or capital markets, or other sources of potential liquidity, in the future on terms acceptable to us or at all. Furthermore, our inability to maintain, renew or replace commitments under our revolving credit facility could materially increase our cost of capital and adversely affect our financial condition, results of operations and liquidity. Short- or long-term disruptions in the capital and credit markets as a result of economic, legislative, political or other uncertainty, including as a result of the COVID-19 pandemic, changes in U.S. tax and other laws, reduced financing alternatives, or failures of significant financial institutions could adversely affect our access to the liquidity needed for our business. Any significant disruption in the capital, debt or credit markets, or financial institution failures could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include delaying or deferring capital expenditures, reducing or suspending dividend payments, and reducing other discretionary expenditures. Finally, there is no assurance that we will be able to access the equity markets to obtain capital or financing when necessary or desirable and on terms that are reasonable or acceptable to us.

Any of the foregoing events that impede our access to the debt or equity capital markets, or the failure of any of our lenders to meet their commitments that result from financial market disruptions, could expose us to increased interest expense, require us to institute cash conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity.

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

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

We may not be able to fully utilize our state net operating loss carryforwards.

As of December 31, 2021, we had state NOL carryforwards of approximately $123 million, and management believes it is more likely than not that these NOL carryforwards will be recovered in the future. Our state NOL carryforwards began to expire in 2021 and will continue to expire through 2041. We have, in the past, been unable to utilize certain of our state NOL carryforwards, and the establishment or increase of a valuation allowance in the future would reduce our deferred income tax assets and our net income. Our actual results may differ from those estimated by management in making its assessment as to our ability to use the state NOL carryforwards. If we are unable to fully utilize our state NOL carryforwards to offset taxable income generated in the future, our financial position, results of operations and cash flows could be materially adversely affected.

We have recorded a significant amount of goodwill, and we may never realize the full value of our intangible assets, causing us to record impairments that may negatively affect our results of operations.

Our total assets include $1.1 billion of goodwill at December 31, 2021. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, we have taken significant non-cash charges to operating results for goodwill impairments in the past. We may be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to our performance or the performance of an acquired business. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or other circumstances. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill would result in a charge to income in the period in which the impairment occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

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

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is

subject to market fluctuations and volatility, which may cause investment returns to fall below our projected return rates. We are currently unable to predict the effect, if any, of the COVID-19 pandemic or other events on the valuation of our pension assets and liabilities. A decline in the market value of our pension and postretirement benefit plan assets as of the measurement date can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. Interest rates have experienced volatility and are subject to potential further adjustments based on the actions of the U.S. Federal Reserve, and others. If interest rates are lower at the measurement date, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in assumptions, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected. In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that the discount rate used in our assumptions is reduced, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

Additional Risks Related to Market-Based Businesses

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

Under the terms of certain agreements under which our Market-Based Businesses, primarily MSG, provide water and wastewater services to municipalities and federal governmental entities, parent company provides guarantees of specified performance obligations, including financial guarantees or deposits. In the event these obligations are not performed, the entity holding the guarantees may seek to enforce the performance commitments against parent company or proceed against the deposit. In that event, our financial condition, results of operations, cash flows and liquidity could be adversely affected. At December 31, 2021, we had remaining performance commitments as measured by remaining contract revenue totaling approximately $6.2 billion related to MSG's contracts, and this amount is likely to increase if the number of military bases served by MSG increases. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

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

MSG enters into contracts with the U.S. government for the operation and maintenance of water and wastewater systems, which contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In addition, the contract price for each of these military contracts is typically subject to either an annual economic price adjustment, or a redetermination two years after commencement of operations and every three years thereafter. Annual economic price adjustment is an inflation index-based contract price increase mechanism. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and anticipated market conditions. Any early contract termination or unfavorable annual economic price adjustment or price redetermination could adversely affect our financial condition, results of operations and cash flows.

Moreover, entering into contracts with the U.S. government subjects us to a number of operational and compliance risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. We are subject to potential government investigations of our business practices and compliance with government procurement and security regulations, which are

complex, and compliance with these regulations can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended or debarred from bidding on or receiving awards of new contracts with the U.S. government or our existing contracts could be terminated, which could have a material adverse effect on our results of operations and cash flows.

General Risk Factors

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

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

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

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

Our continued success is dependent upon our ability to hire, retain and utilize qualified personnel.

The success of our business is dependent upon our ability to hire, retain and utilize qualified personnel, including engineers, licensed operators, water quality and other operating and craft personnel, and management professionals who have the required experience and expertise. From time to time, it may be difficult to attract and retain qualified individuals with the expertise and in the timeframe demanded for our business needs. In certain geographic areas, for example, we may not be able to satisfy the demand for our services because of our inability to successfully hire and retain qualified personnel.

In addition, as key personnel approach retirement age, we need to have appropriate succession plans in place and to successfully implement such plans. If we cannot attract and retain qualified personnel or effectively implement appropriate succession plans, our business, financial condition, results of operations and cash flows may be materially and adversely impacted.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

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

- 80 surface water treatment plants;
- 480 groundwater treatment plants;
- 160 wastewater treatment plants;
- 52,500 miles of transmission, distribution and collection mains and pipes;
- 1,100 groundwater wells;
- 1,700 water and wastewater pumping stations;
- 1,300 treated water storage facilities; and
- 76 dams.

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

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

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

ITEM 3. LEGAL PROCEEDINGS

Set forth below is information related to the Company's material pending legal proceedings as of February 16, 2022, other than ordinary routine litigation incidental to the business, required to be disclosed in this Annual Report on Form 10-K. The information below should be read together with Note 17—Commitments and Contingencies in the Notes to the Consolidated Financial Statements. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more**.**

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with SWRCB Orders to Reduce Carmel River Diversions

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

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

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirements contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

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

In July 2019, Cal Am notified the MPWMD and Monterey One Water (collectively, the "Agencies") that an event of default occurred under the water purchase agreement for the GWR Project because the Agencies failed

to deliver to Cal Am by July 1, 2019 advanced treated recycled water produced by the GWR Project. In its notification to the Agencies, Cal Am expressly reserved its right to terminate the water purchase agreement until the Performance Start Date, which was September 1, 2020. As of June 30, 2021, Cal Am determined that the Agencies met their performance obligations under the water purchase agreement with respect to the first fiscal year of the contract.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a CPCN and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, O&M costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed in the first general rate case filed by Cal Am after it becomes operational. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $186 million in aggregate costs as of December 31, 2021 related to the Water Supply Project, which includes $47 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from the expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project is subject to review and approval of the CPUC, and on November 29, 2021, Cal Am filed an application with the CPUC seeking review and approval of the amended and restated water purchase agreement. Cal Am is also requesting rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This amount is in addition to, and consistent in regulatory treatment with, the prior $50 million of recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $50 million in construction costs previously approved by the CPUC in its 2016 final decision. See Note 17—Commitments and Contingencies in the Notes to the Consolidated Financial Statements for further discussion.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit

with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete.

In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. Cal Am responded with the requested additional information on January 11, 2022, and on February 8, 2022, the Coastal Commission requested additional information. The original jurisdiction application remains pending.

Desalination Plant Development Permit

The proposed desalination plant for the Water Supply Project is to be located in an unincorporated portion of Monterey County, California on a site owned by CEMEX, Inc. ("CEMEX"), and requires a combined development permit from the County of Monterey prior to commencement of construction. On April 24, 2019, the County's Planning Commission voted to approve the permit. In July 2019, the Board of Supervisors heard appeals filed by MCWD and a public advocacy group, at which time it denied the appeals and approved the permit. In August 2019, MCWD filed a petition in Monterey County Superior Court challenging Monterey County's approval of Cal Am's combined development permit application and seeking injunctive relief to enjoin Monterey County and Cal Am from commencing construction of the desalination plant. In October 2019, after a hearing, the court denied, without prejudice, MCWD's motion for a preliminary injunction, but issued a stay of the County's approval of the combined development permit, precluding commencement of physical construction of the desalination plant, but allowing Cal Am to continue to obtain permits needed for the desalination plant's construction. On January 21, 2021, the court issued its decision granting in part and denying in part MCWD's petition. The court found that the County of Monterey did not completely comply with all of the requirements necessary to approve the combined development permit and set aside its approval so that the County could come into compliance. The court denied all of MCWD's other claims. The court also lifted its stay on physical construction at the plant site.

On May 25, 2021, Cal Am filed a notice of appeal as to the Monterey County Superior Court's January 21, 2021 decision, seeking to challenge the court's decision on Monterey County's statement of overriding considerations. Monterey County filed a notice of appeal as to the same issue on May 26, 2021. On June 22, 2021, MCWD filed cross-appeals on its claims that had been denied by the court.

Proposed Zoning Changes at CEMEX Site for Slant Wells

In August 2018, the City circulated a public review draft of proposed amendments to its local coastal program and zoning ordinance, and placed the matter for consideration on the Planning Commission's agenda for

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

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

Test Slant Well Permitting

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the Coastal Commission approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. Because Cal Am may use the test slant well as one of the slant wells for the Water Supply Project, Cal Am sought and obtained from the Coastal Commission permit amendments to allow the test slant well to remain in place and be maintained until February 23, 2023. A required lease obtained from the California State Lands Commission, as amended, will expire on December 16, 2022. Effective February 28, 2018, test slant well pumping ceased, except for minimal maintenance pumping activities, in accordance with Cal Am's coastal development permits.

Water Supply Project Land Acquisition and Slant Well Site Use

In July 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property owned by CEMEX on which intake wells for the Water Supply Project will be located, to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record. A permanent easement granted by CEMEX to Cal Am was recorded in June 2018 to allow Cal Am access to the property and to construct, operate and maintain the Water Supply Project intake wells. On November 26, 2019, the City notified CEMEX that, based on this permanent easement and Cal Am's proposed use of the site for the intake wells, CEMEX has breached or will soon breach a prior 1996 annexation agreement (to which Cal Am was not a party). The City states that it intends to seek declaratory relief from CEMEX and Cal Am ordering that Cal Am's extraction is limited to 500 acre-feet per year of groundwater, that Cal Am cannot export extracted water out of the basin, and that the permanent easement granted by CEMEX to Cal Am is void. CEMEX has denied the City's claims and requested indemnification from Cal Am under the terms of the permanent easement. Cal Am and CEMEX believe that there is no valid limitation under the annexation agreement on Cal Am's right to pump brackish groundwater and seawater at the site for desalination and use by Cal Am's customers.

In May 2020, the City filed a lawsuit in Monterey County Superior Court, naming Cal Am and CEMEX as defendants, and MCWRA and MCWD as real parties in interest. The lawsuit, as amended, alleges a claim for breach of contract against CEMEX and seeks declaratory relief to void the permanent easement and prohibiting extraction of water by Cal Am's slant wells at the CEMEX site in excess of 500 acre-feet per year and the export of such water outside the groundwater basin. In November 2020, Cal Am, CEMEX and MCWRA filed demurrers, which were overruled by the court at a hearing held on February 9, 2021.

In August 2020, MCWD filed a cross-complaint in the May 8, 2020 lawsuit against Cal Am, CEMEX and MCWRA, alleging claims for specific performance of certain provisions of the 1996 annexation agreement

related to the property owned by CEMEX on which intake wells for the Water Supply Project will be located, as well as claims of water rights, nuisance and unreasonable water use, and seeking additional declaratory relief. Following various rulings on demurrers filed by Cal Am, CEMEX and MCWRA, on February 23, 2021, the court sustained, without leave to amend, the demurrer to MCWD's nuisance claim and overruled the remainder of the demurrers. On October 7, 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion.

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

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

In late 2016, the Salinas Valley Basin Groundwater Sustainability Agency (the "SVBGSA") was formed as a joint powers authority to become the GSA for the Salinas Valley Groundwater Basin and prepare a GSP. In April 2018, the City filed a notice to become the GSA for the CEMEX site, creating an overlap with the SVBGSA's filing for the 180/400 Subbasin. In 2016, the SVBGSA commenced preparation of a GSP covering the entire 180/400 subbasin, including the CEMEX site, but in August 2019 the City filed a notice that it intends to prepare its own GSP for the CEMEX site with the intent to severely limit or prohibit groundwater pumping at that site. The State Department of Water Resources ("SDWR") has taken the position that until the overlap is resolved, it will not accept the GSP from either agency, placing the subbasin at risk of being placed in a probationary status and subject to state management. In December 2019, the County of Monterey filed its own notice to become the exclusive GSA at the CEMEX site in order to resolve the overlap, which is permitted under SGMA. SDWR accepted Monterey County's filing on December 18, 2019, and now lists Monterey County as the exclusive GSA for the site.

On December 30, 2019, the City filed a lawsuit in Monterey County Superior Court challenging Monterey County's filing, and SDWR's acceptance of the filing, as the exclusive GSA for the CEMEX site. The City has named Monterey County and its Board of Supervisors, its GSA, and SDWR and its director as defendants, and the SVBGSA and its Board of Directors as real parties. The City seeks to invalidate Monterey County's filing, as well as injunctive relief to preserve the City's status as a GSA for the site. To protect its interest in the matter, Cal Am filed an application to intervene in this lawsuit, which was granted. Monterey County filed cross-claims against the City and SDWR. After a hearing, on August 24, 2021, the court denied the claims brought by the City and granted Monterey County's cross-claims, finding that the City's GSA notice was untimely, the Monterey County GSA was the exclusive GSA for the CEMEX site, and the SVBGSA's GSP was properly adopted for the entire 180/400 subbasin, including the CEMEX site. On November 15, 2021, the City appealed this decision, and on December 13, 2021, Monterey County appealed the court's decision as to the finding that the City's action creating a GSA was not void.

On September 14, 2020, Cal Am filed a separate but related complaint in Monterey County Superior Court challenging the validity of actions taken by the City and its GSA in adopting a groundwater sustainability plan for the CEMEX site, and the validity of the provisions of such plan. Due to the overlap of issues in the City's lawsuit with those in the validation action, the parties stipulated to a stay of the validation action pending determination of the claims in the City's action, which was approved by the court in December 2020.

On February 16, 2021, the City filed a separate but related *in rem* reverse validation complaint challenging the adoption by Monterey County of a GSP for the CEMEX site. This complaint remains pending. Currently, both validation actions remain stayed during the pendency of the City's appeals.

Challenge of Certification — Proposed Monterey System Acquisition Final Environmental Impact Report

In November 2018, voters in Monterey, California passed "Measure J," which decided that the MPWMD should conduct a feasibility study concerning the potential purchase of Cal Am's Monterey system assets, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. See Item 1—Business—Regulated Businesses—Condemnation and Eminent Domain for more information on this matter. In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board, among other things, (1) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J, (2) ensure there is significant potential for cost savings before agreeing to commence an acquisition, and (3) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

On October 7, 2020, the MPWMD issued a FEIR for the potential acquisition of the Monterey system assets, and on November 4, 2020, the MPWMD certified the FEIR, which purports to analyze the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. On November 25, 2020, Cal Am filed a petition for writ of mandate in Monterey County Superior Court challenging certification of the FEIR, alleging that the MPWMD's analysis of environmental impacts was inadequate and that certification was improper. A hearing on the matter was held on August 30, 2021, and on November 19, 2021, the court denied Cal Am's petition.

West Virginia Elk River Freedom Industries Chemical Spill

See Note 17—Commitments and Contingencies—Contingencies—West Virginia Elk River Freedom Industries Chemical Spill in the Notes to Consolidated Financial Statements for information regarding the final court approval of the global settlement with respect to the January 2014 Freedom Industries, Inc. chemical spill.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by West Virginia-American Water Company, the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored on July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience,

and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. On January 28, 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 16, 2021, oral argument was heard by the Circuit Court on the issue of addressing the Supreme Court of Appeals' remand. This matter remains pending.

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

Chattanooga, Tennessee Class Action Litigation

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

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and Service Company (collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. The court has entered an agreed scheduling order, which sets a hearing in October 2022 to address the question of class certification.

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

Other Matters

On April 2, 2021, American Water Resources, LLC ("AWR"), which, prior to the Closing Date was one of the indirect, wholly owned subsidiaries comprising the Company's former HOS operations, received a grand jury subpoena in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY"). The subpoena seeks documents regarding AWR's operations and its contractor network in the New York City metropolitan area.

In connection with the sale of the HOS operations to the Buyer (including all of the Company's equity interests in AWR), the Company, AWR and the Buyer entered into a Common Interest and Cooperation

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

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

General

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Since April 23, 2008, the Company's common stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AWK." As of February 10, 2022, there were 181,724,991 shares of common stock outstanding held by approximately 2,333 record holders. Holders of the Company's common stock are entitled to receive dividends when they are declared by its Board of Directors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information regarding the Company's dividends.

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

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2021, the Company repurchased an aggregate of 4,860,000 shares of its common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program. There were no repurchases of common stock in 2021.

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

The following discussion should be read together with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements," Item 1A—Risk Factors and elsewhere in this Form 10-K. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings. For a discussion and analysis of the Company's financial statements for fiscal 2020 compared to fiscal 2019, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company employs approximately 6,400 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company's utilities operate in approximately

1,700 communities in 14 states in the United States, with 3.4 million active customers with services provided by its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by PUCs. The Company also operates other market-based businesses that provide water, wastewater and other services to residential and smaller commercial customers, the U.S. government on military installations, as well as municipalities and utility customers, collectively presented as the "Market-Based Businesses." These Market-Based Businesses are not subject to economic regulation by state PUCs. See Item 1—Business for additional information.

COVID-19 Pandemic Update

American Water continues to monitor the COVID-19 pandemic and has taken steps since the beginning of the pandemic to mitigate adverse impacts to the Company. The Company has three main areas of focus as part of its response to COVID-19: the care and safety of its employees; the safety of its customers and the communities it serves; and the execution of its business continuity plan. American Water continues to work with its vendors to prevent disruptions in its supply chain, and, at this time, has not experienced, and does not anticipate, any material disruptions. The Company also continues to monitor the impacts of the COVID-19 pandemic on the capital markets, including impacts that could increase its cost of capital.

The Company has experienced financial impacts since the beginning of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental O&M expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as "financial impacts." See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information. The extent to which the COVID-19 pandemic may further impact American Water, including without limitation, its liquidity, financial condition, and results of operations, will depend on future developments, which presently cannot be predicted.

As of February 16, 2022, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 13 jurisdictions. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California's Catastrophic Event Memorandum Account allows the Company's California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO

The Company's Pennsylvania subsidiary filed for a request with the Pennsylvania Public Utility Commission (the "PaPUC") to defer as a regulatory asset all identified COVID-19 financial impacts. On

September 15, 2021, the PaPUC issued an order approving the Company's request to defer, with carrying costs, incremental uncollectible expense and other incremental costs net of savings attributed to the COVID-19 pandemic. The PaPUC order denied the request to include lost revenues attributed to the waiver of late fees and reconnect fees and expenses associated with additional interest costs. Additionally, the PaPUC order approved the request to allow for the continuation of the deferral of financial impacts, rejecting proposals from the intervening parties to define an end date to the deferral in 2021. As a result of the order discussed above, the Company recorded a net $7 million reduction to its regulatory assets and corresponding impacts to revenue, interest expense and uncollectible expense during the third quarter of 2021. The Company continues to evaluate options within its next base rate case to address these denied items and the resulting financial impact.

On July 28, 2021, the Company's Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General, which reflected agreement on the deferral of COVID-19-related financial impacts through April 30, 2021. On August 9, 2021, the Tennessee Public Utility Commission denied the stipulation and settlement agreement and moved to address the Company's Tennessee subsidiary's petition to defer the COVID-19 financial impacts in a future hearing. On August 26, 2021, the Company's Tennessee subsidiary filed a motion to withdraw its pending petition, preserving its right to seek recovery of the COVID-19 financial impacts in a future proceeding.

In December 2020, the Kentucky Public Service Commission issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic.

Consistent with these regulatory orders, the Company has recorded $36 million in regulatory assets and $6 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of December 31, 2021.

As of February 16, 2022, one state, New Jersey, continues moratoria until March 15, 2022, on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in 12 states. The Company continues to monitor the COVID-19 pandemic and will continue to comply with the current ordered moratoria and any future moratoria implemented.

In 2019, the Company completed and submitted its project completion certification to the New Jersey Economic Development Authority ("NJEDA") in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The NJEDA determined that the Company is qualified to receive $164 million in tax credits over a ten-year period. The Company is required to meet various annual requirements in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15. The Company has made the necessary annual filings for the years ended December 31, 2019 and 2020 and expects to make the 2021 filing by April 30, 2022. As a result, the Company had receivables of $49 million and $115 million in other current assets and other long-term assets, respectively, on the Consolidated Balance Sheets as of December 31, 2021. The submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in the first half of 2022.

In March 2020, in connection with the COVID-19 pandemic, the NJEDA, pursuant to Executive Order 103—State of Emergency and a Public Health Emergency, temporarily waived the requirement that a full-time employee must spend at least 80% of his or her time at the qualified business facility ("QBF") to meet the definition of eligible position or full-time job. The waiver will continue for as long as New Jersey's Executive Order 281 is valid. On July 2, 2021, New Jersey's Governor approved a bill that revised provisions of the Economic Recovery Act of 2020 and other economic development programs, including amending the definition of an eligible position and full-time job in the Grow New Jersey Program and replacing the 80% requirement of time spent at the QBF. The bill states that an eligible position is one that is filled by a full-time employee who has their primary office at the QBF and spends at least 60% of their time at the QBF. The bill specifically states that it supersedes the existing regulations and existing incentive agreements that require an eligible employee spend at least 80% of their time at the QBF.

Sale of Homeowner Services Group

On the Closing Date, the Company sold all of the equity interests in subsidiaries that comprised HOS to the Buyer for total consideration of approximately $1.275 billion, resulting in a pre-tax gain on sale of $748 million. The consideration is comprised of $480 million in cash, a seller promissory note issued by the Buyer in the principal amount of $720 million, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. The structure of the transaction enables the initial cash proceeds to be redeployed into the Regulated Businesses to fund near-term incremental capital investments, while interest on the seller note provides a stream of earnings during its term. Upon maturity, the proceeds from the repayment of the seller note are expected to be used to fund capital investment in the Regulated Businesses. This sale narrowed the focus of the Company's Market-Based Businesses primarily to MSG.

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

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

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

The Company and the Buyer also entered into a revenue share agreement, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods.

Financing Activities

On May 10, 2021, American Water Capital Corp. ("AWCC") completed a $1.1 billion debt offering, which included the sale of $550 million aggregate principal amount of its 2.30% senior notes due 2031 and $550 million aggregate principal amount of its 3.25% senior notes due 2051. Net proceeds of this offering were used to lend funds to parent company and its regulated subsidiaries, to prepay $327 million in aggregate principal amount of AWCC's outstanding senior notes, to repay AWCC's commercial paper obligations and for general corporate purposes. See Note 12—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

As a result of AWCC's prepayment of the various senior notes, a make-whole premium of $15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

Selected Financial Data

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

	For the Years Ended December 31,				
(In millions, except per share data)	**2021**	**2020**	**2019**	**2018**	**2017**
Statement of Operations data:					
Operating revenues	$ 3,930	$ 3,777	$ 3,610	$ 3,440	$ 3,357
Net income attributable to common shareholders	1,263	709	621	567	426
Net income attributable to common shareholders per basic common share	$ 6.96	$ 3.91	$ 3.44	$ 3.16	$ 2.39
Net income attributable to common shareholders per diluted common share	6.95	3.91	3.43	3.15	2.38
Balance Sheet data:					
Total assets	$26,075	$24,766	$22,682	$21,223	$19,482
Long-term debt and redeemable preferred stock at redemption value	10,344	9,333	8,644	7,576	6,498
Other data:					
Cash dividends declared per common share	$ 2.41	$ 2.20	$ 2.00	$ 1.82	$ 1.66
Net cash provided by operating activities	1,441	1,426	1,383	1,386	1,449
Net cash used in investing activities	(1,536)	(2,061)	(1,945)	(2,036)	(1,672)
Net cash (used in) provided by financing activities	(345)	1,120	494	726	207
Capital expenditures included in net cash used in investing activities	(1,764)	(1,822)	(1,654)	(1,586)	(1,434)

Financial Results

For the years ended December 31, 2021, 2020 and 2019, diluted earnings per share (GAAP) were $6.95, $3.91 and $3.43, respectively. In 2021, as compared to 2020, diluted earnings per share increased $3.04. This increase was primarily driven by a pre-tax gain on sale of $748 million relating to the sale of HOS and continued growth in the Regulated Businesses from infrastructure investment, acquisitions and organic growth. These increases were offset by the $45 million pre-tax contribution to the AWCF authorized by the Company in 2021, and the impacts from weather in both 2021 and 2020, which had an estimated net decrease of $13 million in revenues in 2021, or $0.05 per share. The consolidated net income impact of the gain on sale of HOS and the AWCF contribution is $491 million, or $2.70 per share, inclusive of a $13 million net income benefit included in the Other segment, from the revaluation of state net operating losses that can now be utilized as a result of the sale.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company expects to continue to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. In 2021, the Company invested $1.9 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses Growth and Optimization

- $1.8 billion capital investment in the Regulated Businesses, the majority for infrastructure improvements and replacements; and

- $135 million to fund acquisitions, including deposits discussed below, in the Regulated Businesses, which added approximately 20,000 water and wastewater customers during 2021, in addition to approximately 17,500 customers added through organic growth during 2021.

On April 6, 2021, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for $235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system, directly and indirectly through bulk contracts, serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company's Pennsylvania subsidiary paid a $20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

During 2022, the Company closed on the acquisition of two regulated water and wastewater systems adding approximately 700 customers, for a total aggregate purchase price of $2 million. As of February 16, 2022, the Company has entered into agreements for pending acquisitions in the Regulated Businesses, including the York City Sewer Authority and Egg Harbor City agreements discussed above, to add approximately 77,000 additional customers.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty, an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Sale of Michigan American Water Company

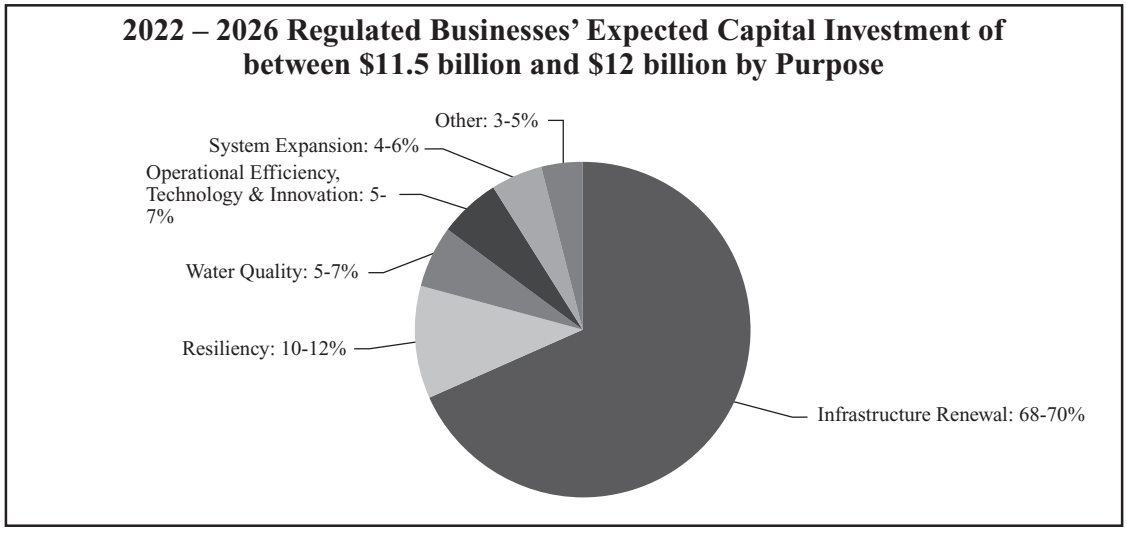
On February 4, 2022, the Company completed the sale of its operations in Michigan for approximately $6 million.

Future Growth

The Company expects to invest between $13 billion to $14 billion over the next five years, and between $28 billion to $32 billion over the next 10 years, including $2.5 billion in 2022. The Company's expected future investments include:

- capital investment for infrastructure improvements in the Regulated Businesses between $11.5 billion to $12 billion over the next five years, and between $25 billion to $28 billion over the next 10 years, including $2 billion expected in 2022; and
- growth from acquisitions in the Regulated Businesses to expand the Company's water and wastewater customer base of between $1.5 billion to $2 billion over the next five years, and between $3 billion to $4 billion over the next 10 years, including $500 million expected in 2022.

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



Operational Excellence

The Company's adjusted regulated O&M efficiency ratio, which is used as a measure of the operating performance of the Regulated Businesses, was 34.1% for the year ended December 31, 2021, compared to 34.3% for the year ended December 31, 2020. The improvement in this ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. Additionally, the Company excluded the impact of certain Freedom Industries chemical spill settlement activities recognized in 2019 from operation and maintenance expenses. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

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

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

	For the Years Ended December 31,		
(Dollars in millions)	**2021**	**2020**	**2019**
Total operation and maintenance expenses	$1,777	$1,622	$1,544
Less:			
Operation and maintenance expenses—Market-Based Businesses	482	389	393
Operation and maintenance expenses—Other	(30)	(25)	(31)
Total operation and maintenance expenses—Regulated Businesses	1,325	1,258	1,182
Less:			
Regulated purchased water expenses	153	149	135
Allocation of non-operation and maintenance expenses	34	41	31
Impact of Freedom Industries settlement activities (a)	—	—	(4)
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$1,138	$1,068	$1,020
Total operating revenues	$3,930	$3,777	$3,610
Less:			
Operating revenues—Market-Based Businesses	563	540	539
Operating revenues—Other	(17)	(18)	(23)
Total operating revenues—Regulated Businesses	3,384	3,255	3,094
Less:			
Regulated purchased water revenues (b)	153	149	135
Revenue reductions from the amortization of EADIT	(104)	(7)	—
Adjusted operating revenues—Regulated Businesses (ii)	$3,335	$3,113	$2,959
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	34.1%	34.3%	34.5%

(a) Includes the impact of a reduction of a liability in the first quarter of 2019 related to the Freedom Industries chemical spill.
(b) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate cases authorizations that became effective during 2019 through 2021:

(In millions)	**2021**	**2020**	**2019**
General rate cases by state (a):			
Iowa (effective October 11, 2021)	$ 1	$ —	$ —
Missouri (effective May 28, 2021)	22	—	—
Pennsylvania (effective January 28, 2021)	70	—	—
California (effective January 1, 2021, January 1, 2020 and May 11, 2019)	22	5	4
New Jersey (effective November 1, 2020)	—	54	—
Indiana (effective May 1, 2020 and July 1, 2019)	—	13	4
Kentucky (effective June 28, 2019)	—	—	13
West Virginia (effective February 25, 2019)	—	—	19
Maryland (effective February 5, 2019)	—	—	1
Total general rate case authorizations	$ 115	$ 72	$ 41

(a) Excludes authorized increases of $7 million and $4 million in 2021 and 2019, respectively, for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures in the Notes to the Consolidated Financial Statements for additional information.

On November 18, 2021, the CPUC unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which is retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of $22 million, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The EADIT reduction in revenues is $4 million and is offset by a like reduction in income tax expense. On January 18, 2022, the Company's California subsidiary filed for approval of $13 million in 2022 escalation increases, excluding $4 million of reductions related to the TCJA. This filing, which is retroactive to January 1, 2022, is subject to CPUC approval with a 45-day review period.

On June 28, 2021, an order was issued authorizing an increase of $1 million in the general rate case filed by the Company's Iowa subsidiary in 2020. The Company's Iowa subsidiary filed tariffs consistent with the order on September 23, 2021. Effective October 11, 2021, the Iowa Utilities Board approved the tariffs and implemented the new rates.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of $22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of $72 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of $74 million is being returned to customers over 10 years. The $25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of $13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. A scheduling order was issued on October 18, 2021 establishing a briefing schedule through March 2022. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is $19 million. The overall increase, net of TCJA reductions, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting $71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On January 14, 2022, the Company's New Jersey subsidiary filed a general rate case requesting $110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On December 1, 2021, the Company's Kentucky subsidiary filed a wastewater rate case requesting additional revenues of $1 million, excluding proposed reductions for EADIT as a result of TCJA. The Company requested a four-step rate increase for their wastewater operations with effective dates of June 1, 2022, June 1, 2023, June 1, 2024 and June 1, 2025 for annual amounts of less than $1 million each year. The Company filed their wastewater case under the alternative rate filing process for smaller utilities which calculates an operating ratio of 88% rather than a return on equity.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting $15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On August 18, 2021, the Company's Hawaii subsidiary filed a general rate case requesting $2 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting $32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is $1 million and the exclusion for infrastructure surcharges is $10 million. Intervenor testimony was received on September 20, 2021. The Company's rebuttal testimony was filed on October 5, 2021. Hearings were conducted on November 3 and 4, 2021. A final order is expected no later than February 24, 2022.

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

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective during 2019 through 2021:

(In millions)	**2021**	**2020**	**2019**
Infrastructure surcharges by state (a):			
New Jersey (b)	$ 26	$ 20	$ 15
Missouri (c)	7	12	14
Kentucky (effective July 1, 2021 and July 1, 2020)	1	1	—
Indiana (effective March 17, 2021)	8	—	—
Pennsylvania (d)	8	27	11
Illinois (effective January 1, 2021, January 1, 2020 and January 1, 2019)	7	7	8
West Virginia (effective January 1, 2021, January 1, 2020 and January 1, 2019)	5	3	2
Tennessee (effective January 1, 2021, January 1, 2020 and September 1, 2019)	3	2	1
Total infrastructure surcharge authorizations	$ 65	$ 72	$ 51

(a) Excludes authorized increases of $2 million in 2019 for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures in the Notes to the Consolidated Financial Statements for additional information.

(b) In 2021, $12 million was effective on December 30 and $14 million was effective June 28. In 2020, $10 million was effective June 29 and $10 million was effective January 1. In 2019, the effective date was July 1.

(c) In 2021, the effective date was October 7. In 2020, $2 million was effective December 14 and $10 million was effective June 27. In 2019, $5 million was effective December 21 and $9 million was effective June 24.

(d) In 2021, the effective date was January 1. In 2020, $8 million was effective October 1, $4 million was effective July 1, $5 million was effective April 1 and $10 million was effective January 1. In 2019, $6 million was effective October 1, $3 million was effective July 1 and $2 million was effective April 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective after January 1, 2022:

(In millions)	Amount
Infrastructure surcharge filings by state:	
Illinois (effective January 1, 2022)	$ 6
Missouri (effective February 1, 2022)	12
Total infrastructure surcharge filings	$ 18

Pending Infrastructure Surcharge Filings

On January 19, 2022, the Company's Indiana subsidiary filed for infrastructure surcharges requesting $8 million in additional annualized revenues.

On June 30, 2021, the Company's West Virginia subsidiary filed for an infrastructure surcharge requesting $3 million in additional annualized revenues.

Tax Matters

Federal Tax Legislation

On November 15, 2021, the IIJA was signed into law and was designed to provide significant investment in the nation's infrastructure. The Company has analyzed the bill to assess legislative tax impacts, and determined that the most significant aspect impacting the Company is the provision for special rules for regulated water and wastewater utilities as it relates to the tax treatment of contributions in aid of construction ("CIAC"). The bill reinstates the pre-TCJA tax treatment of CIAC, which allows regulated water and wastewater utilities to generally exclude the receipt of CIAC from taxable income. This provision is effective for contributions made after December 31, 2020. For the year ended December 31, 2021, the Company has reflected the exemption retroactively to January 1, 2021.

On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, as amended (the "Code"), including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. The enactment of the TCJA required a re-measurement of the Company's deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT will be used to benefit the Company's regulated customers in future rates. Twelve of the Company's regulated subsidiaries are amortizing EADIT and crediting customers. The Company expects the timing of the amortization of EADIT credits for the one remaining regulated subsidiary to be addressed in a pending rate case or other proceedings. When crediting EADIT to the customer, the Company records both a reduction to revenue and a reduction to income tax expense, having no material impact on net income.

Federal Net Operating Loss

The Company had no federal NOL carryover balance remaining as of December 31, 2021 due to the HOS sale, after which time the Company became a cash taxpayer for federal income tax purposes.

Legislative Updates

During 2021, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of February 16, 2022:

- California passed electronic payment legislation, Assembly Bill 1058, which permanently changes state law to allow investor-owned water and wastewater utilities to accept electronic payments, including credit and debit cards, without charging processing fees to customers.

- California passed CPUC consolidation timeline legislation, Assembly Bill 1250, which requires the CPUC to make timely decisions on applications to acquire systems. Consolidations of $5 million or less are to be processed within 180 days and those more than $5 million are required to be processed within 12 months.
- The Kentucky General Assembly adopted House Bill 465 relating to the acquisition of water and wastewater utilities. The legislation affirms a method in valuing water and wastewater systems above net book value and establishes a timeline of 60 days for Public Service Commission approval of an acquisition.
- Indiana House Enrolled Act 1287 creates a mechanism that reduces the required upfront cost to new customers for a water or wastewater utility to extend service to underserved areas.
- Indiana House Enrolled Act 349 establishes a tax rider for water and wastewater utilities based upon a change in state or federal income tax law. The legislation also requires the Indiana Finance Authority to prioritize loans that secure long-term benefits over shorter term projects.
- New Jersey passed Lead Service Line Replacement Bill, Senate Bill 3398/Assembly Bill 5343, which provides for the replacement of lead service lines within 10 years of the effective date of the bill and authorizes cost recovery of customer-owned lead service lines as an O&M expense plus interest through a semi-annual surcharge.
- Missouri passed the Water and Sewer Infrastructure Act, Senate Bill 44/House Bill 397, to establish a new statewide surcharge mechanism program which covers replacement of aging water distribution and sewer collection infrastructure. This legislation broadens the eligible projects covered by the current Infrastructure System Replacement Surcharge mechanism and expands its applicability to projects across the state.
- New Jersey passed Senate Bill 647/House Bill 4825 which strengthens the WQAA by requiring the Department of Environmental Protection to adopt regulations to implement the WQAA, enhancing asset management plans and reporting, upgrading cyber security standards and adding criminal penalties for falsifying reports.
- Illinois passed House Bill 414, Low Income Water & Sewer Financial Assistance Program, which authorizes the state's Department of Commerce and Economic Opportunity to institute a water and sewer assistance program for customers of privately and publicly owned systems. The program is modeled off the existing energy supplemental state Low Income Home Energy Assistance Program.

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that will require the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021.

Consolidated Results of Operations

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

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating revenues	$ 3,930	$ 3,777	$ 3,610
Operating expenses:			
Operation and maintenance	1,777	1,622	1,544
Depreciation and amortization	636	604	582
General taxes	321	303	280
Other	—	—	(10)
Total operating expenses, net	2,734	2,529	2,396
Operating income	1,196	1,248	1,214
Other income (expense):			
Interest expense	(403)	(397)	(386)
Interest income	4	2	4
Non-operating benefit costs, net	78	49	16
Gain or (loss) on sale of businesses	747	—	(44)
Other, net	18	22	29
Total other income (expense)	444	(324)	(381)
Income before income taxes	1,640	924	833
Provision for income taxes	377	215	212
Net income attributable to common shareholders	$ 1,263	$ 709	$ 621

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. The Company also operates other businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses, which is consistent with how management assesses the results of these businesses. For a discussion and analysis of the Company's financial statements for fiscal 2020 compared to fiscal 2019, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021.

Regulated Businesses Segment

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

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating revenues	$ 3,384	$ 3,255	$ 3,094
Operation and maintenance	1,325	1,258	1,182
Depreciation and amortization	601	562	529
General taxes	301	285	262
Other operating expenses	1	(3)	(10)
Other income (expenses)	(195)	(221)	(262)
Income before income taxes	962	932	869
Provision for income taxes	172	217	215
Net income attributable to common shareholders	789	715	654

Operating Revenues

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

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Water services:			
Residential	$ 1,935	$ 1,895	$ 1,735
Commercial	676	627	639
Fire service	151	147	142
Industrial	141	133	138
Public and other	239	226	230
Total water services	3,142	3,028	2,884
Wastewater services:			
Residential	151	134	119
Commercial	37	34	31
Industrial	4	3	3
Public and other	16	14	14
Total wastewater services	208	185	167
Other (a)	34	42	43
Total operating revenues	$ 3,384	$ 3,255	$ 3,094

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

(Gallons in millions)	For the Years Ended December 31, 2021	2020	2019
Billed water services volumes:			
Residential	173,644	178,753	167,470
Commercial	77,476	75,875	81,268
Industrial	35,738	34,875	37,242
Fire service, public and other	51,957	49,031	50,501
Total billed water services volumes	338,815	338,534	336,481

In 2021, as compared to 2020, operating revenues increased $129 million primarily due to $208 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states, and a $26 million increase from water and wastewater acquisitions, as well as organic growth in existing systems. These increases were offset by an estimated net decrease of $13 million from weather in both 2021 and 2020, a $5 million decrease from lower water services demand and ongoing customer usage reductions from conservation, and a $79 million decrease in revenues due to the amortization of EADIT, which is generally offset with a reduction in income tax expense. Additionally, there was an $8 million decrease in revenue due to the denial of authorization to defer certain COVID-19 financial impacts based on the PaPUC order received by the Company's Pennsylvania subsidiary. See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information.

Operation and Maintenance

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

(In millions)	For the Years Ended December 31, 2021	2020	2019
Employee-related costs	$ 522	$ 495	$ 462
Production costs	353	335	317
Operating supplies and services	245	242	237
Maintenance materials and supplies	93	84	74
Customer billing and accounting	66	58	55
Other	46	44	37
Total	$ 1,325	$ 1,258	$ 1,182

Employee-Related Costs

(In millions)	For the Years Ended December 31, 2021	2020	2019
Salaries and wages	$ 402	$ 382	$ 363
Group insurance	66	65	60
Pensions	25	20	12
Other benefits	29	28	27
Total	$ 522	$ 495	$ 462

In 2021, as compared to 2020, employee-related costs increased $27 million primarily due to a $20 million increase in salaries and wages from higher headcount and related compensation expense supporting growth in the businesses and a $5 million increase in pension service costs.

Production Costs

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Purchased water	$ 153	$ 149	$ 135
Fuel and power	97	88	90
Chemicals	59	57	54
Waste disposal	44	41	38
Total	$ 353	$ 335	$ 317

In 2021, as compared to 2020, production costs increased $18 million primarily due to a $9 million increase in fuel and power due to higher rates and system delivery across several subsidiaries and a $4 million increase in purchased water primarily due to usage in the Company's California subsidiary.

Maintenance Materials and Supplies

In 2021, as compared to 2020, maintenance materials and supplies increased $9 million primarily due to timing of maintenance and tank painting projects in the Company's New Jersey subsidiary and increased paving costs from a higher volume of main breaks.

Customer Billing and Accounting

In 2021, as compared to 2020, customer billing and accounting increased $8 million primarily due to higher call volumes experienced at our customer service centers, higher collections costs and higher uncollectible costs.

Depreciation and Amortization

In 2021, as compared to 2020, depreciation and amortization increased $39 million primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

In 2021, as compared to 2020, general taxes increased $16 million, primarily due to increased capital investments, including acquisitions, increased tax rates across several subsidiaries and an increase in the New Jersey Gross Receipts Tax.

Other Income (Expenses)

In 2021, as compared to 2020, other income (expenses) increased $26 million primarily due to the reduction in the non-service cost components of pension and other postretirement benefits expense resulting from higher asset returns.

Provision for Income Taxes

In 2021, as compared to 2020, the Regulated Businesses' provision for income taxes decreased $45 million. The Regulated Businesses' effective income tax rate was 17.9% and 23.3% for the years ended December 31, 2021 and 2020, respectively. The decrease was primarily due to an increase in the amortization of EADIT resulting from the TCJA, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Market-Based Businesses

Presented in the table below is information for the Market-Based Businesses:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating revenues	$ 563	$ 540	$ 539
Operation and maintenance	482	389	393
Depreciation and amortization	22	26	37
Gain or (loss) on sale of businesses	748	(1)	(44)
Income before income taxes	798	120	66
Provision for income taxes	248	29	20
Net income attributable to common shareholders	550	91	46

Operating Revenues

In 2021, as compared to 2020, operating revenues increased $23 million primarily due to a $32 million increase in capital and O&M projects in the MSG, across several of the Company's military bases, primarily at the United States Military Academy at West Point, New York, Fort Belvoir and Joint Base Lewis-McChord and a $7 million increase in the CSG related to the contract with the City of Camden, New Jersey. These increases were partially offset by a $17 million year over year decrease at HOS due to the sale of the business in the fourth quarter of 2021.

Operation and Maintenance

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

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating supplies and services	$ 221	$ 148	$ 128
Maintenance materials and supplies	123	114	109
Employee-related costs	96	90	109
Production costs	22	21	29
Other	20	16	18
Total	$ 482	$ 389	$ 393

Operating Supplies and Services

In 2021, as compared to 2020, operating supplies and services increased $73 million primarily due to the $45 million pre-tax contribution to the AWCF authorized by the Company in 2021, costs associated with MSG from increased capital and O&M projects as discussed above and an increase in additional O&M costs related to CSG.

Maintenance Materials and Supplies

In 2021, as compared to 2020, maintenance materials and supplies increased $9 million primarily due to an increase in CSG related to the contract with the City of Camden, New Jersey and an increase in HOS due to contract growth and an increase in claims. These increases were partially offset by a decrease in HOS due to the sale of its business in the fourth quarter of 2021.

Employee-Related Costs

In 2021, as compared to 2020, employee-related costs increased $6 million primarily due to an increase in salaries and wages in MSG from the addition of new bases in the second half of 2020 and HOS for additional customer service costs to support the business.

Depreciation and Amortization

In 2021, as compared to 2020, depreciation and amortization decreased $4 million primarily due to lower intangible asset amortization expenses in HOS.

Gain or (Loss) on Sale of Businesses

During the fourth quarter of 2021, the Company recognized a pre-tax gain on sale of $748 million relating to the sale of HOS. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Provision for Income Taxes

In 2021, as compared to 2020, provision for income taxes increased $219 million primarily due to the sale of HOS. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Liquidity and Capital Resources

The Company uses its capital resources, including cash, primarily to (i) fund operating and capital requirements, (ii) pay interest and meet debt maturities, (iii) pay dividends, (iv) fund acquisitions, (v) fund pension and postretirement benefit obligations, and (vi) to pay federal income taxes, which the Company began to pay as a result of fully utilizing its NOL carryforward in 2021. The Company invests a significant amount of cash on regulated capital projects where it expects to earn a long-term return on investment. Additionally, the Company operates in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—*Regulation and Rate Making* for additional information. The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity in addition to the proceeds from the sales of HOS and the Company's New York subsidiary. If necessary, the Company may delay certain capital investments or other funding requirements, or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company regularly evaluates and monitors its cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. The Company's business is capital intensive, with a majority of this capital funded by cash flows from operations. When necessary, the Company also obtains funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings. In order to meet short-term liquidity needs, AWCC issues commercial paper that is supported by its revolving credit facility. The Company may also access the equity capital markets to support its capital funding requirements, as needed. The Company's access to external financing on reasonable terms depends on its credit ratings and current business conditions, including that of the utility and water utility industry in general, as well as conditions in the debt or equity capital markets, and the national and international economic and geopolitical

arenas. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit the Company's ability to issue debt and equity securities in the capital markets.

If these unfavorable business, market, financial and other conditions deteriorate to the extent that the Company is no longer able to access the commercial paper and/or capital markets on reasonable terms, AWCC has access to an unsecured revolving credit facility that expires in March 2025 with aggregate bank commitments of $2.25 billion. The facility is used principally to fulfill the Company's short-term liquidity needs by supporting AWCC's $2.10 billion commercial paper program and to provide a sublimit of up to $150 million for letters of credit. Subject to satisfying certain conditions, the credit agreement permits AWCC to increase the maximum commitment under the facility by up to $500 million. As of December 31, 2021, AWCC had no outstanding borrowings and $76 million of outstanding letters of credit under its revolving credit facility, with $1.59 billion available to fulfill its short-term liquidity needs and to issue letters of credit.

To ensure adequate liquidity given the impacts of the COVID-19 pandemic on debt and capital markets, on March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). The net proceeds were used for general corporate purposes of AWCC and American Water and to provide additional liquidity. The Term Loan Facility commitments terminated at maturity on March 19, 2021, and the Term Loan Facility was repaid in full.

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

Cash Flows from Operating Activities

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

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

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

(In millions)	For the Years Ended December 31, 2021	2020	2019
Net income	$ 1,263	$ 709	$ 621
Add (less):			
Depreciation and amortization	636	604	582
Deferred income taxes and amortization of investment tax credits	230	207	208
Other non-cash activities (a)	(27)	—	4
Changes in working capital (b)	126	(49)	(5)
Settlement of cash flow hedges	—	(6)	(30)
Pension and non-pension postretirement benefit contributions	(40)	(39)	(31)
(Gain) or loss on sale of businesses	(747)	—	34
Net cash provided by operating activities	$ 1,441	$ 1,426	$ 1,383

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

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net, less the settlement of cash flow hedges.

In 2021, cash flows provided by operating activities increased $15 million, primarily due to an increase in net income, changes in working capital, primarily from an increase in accrued taxes, and an increase in depreciation and amortization due to additional utility plant placed in service from capital infrastructure investments. Partially offsetting these increases was the gain on sale of businesses, due to the gain on the sale of HOS.

The Company expects to make pension contributions to the plan trusts of $37 million in 2022. In addition, the Company estimates that contributions will amount to $35 million, $33 million, $30 million and $27 million in 2023, 2024, 2025 and 2026, respectively. Actual amounts contributed could change materially from these estimates as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows from Investing Activities

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

(In millions)	For the Years Ended December 31, 2021	2020	2019
Capital expenditures	$ (1,764)	$ (1,822)	$ (1,654)
Acquisitions, net of cash acquired	(135)	(135)	(235)
Proceeds from sale of assets, net of cash on hand	472	2	48
Removal costs from property, plant and equipment retirements, net	(109)	(106)	(104)
Net cash used in investing activities	$ (1,536)	$ (2,061)	$ (1,945)

In 2021, cash flows used in investing activities decreased $525 million primarily due to proceeds received from the sale of HOS and timing of payments for capital expenditures. The Company continues to invest across all infrastructure categories, mainly replacement and renewal of transmission and distribution and services, meter and fire hydrants infrastructure in the Company's Regulated Businesses, as discussed below.

The Company's infrastructure investment plan consists of both infrastructure renewal programs, where the Company replaces infrastructure, as needed, and major capital investment projects, where the Company

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

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

	For the Years Ended December 31,		
(In millions)	**2021**	**2020**	**2019**
Transmission and distribution	$ 749	$ 704	$ 661
Treatment and pumping	197	306	190
Services, meter and fire hydrants	366	333	346
General structure and equipment	251	299	234
Sources of supply	64	54	83
Wastewater	137	126	140
Total capital expenditures	$ 1,764	$ 1,822	$ 1,654

In 2021, the Company's capital expenditures decreased $58 million primarily due to a decrease in treatment and pumping and general structure and equipment infrastructure investment partially offset by increases in transmission and distribution and services, meter and fire hydrants infrastructure investment.

The Company also grows its business primarily through acquisitions of water and wastewater systems. These acquisitions are generally located in geographic proximity to the Company's existing Regulated Businesses and support continued geographical diversification and growth of its operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with long-term financing. During 2021, the Company paid $112 million for the acquisition of 23 water and wastewater systems, representing in the aggregate approximately 20,000 customers and paid $23 million in deposits for future acquisitions.

As previously noted, over the next five years the Company expects to invest between $13 billion to $14 billion, with $11.5 billion to $12 billion for infrastructure improvements in the Regulated Businesses, and the Company expects to invest between $28 billion to $32 billion over the next 10 years. In 2022, the Company expects to invest $2.5 billion, consisting of $2 billion for infrastructure improvements and $500 million for acquisitions in the Regulated Businesses.

Cash Flows from Financing Activities

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

	For the Years Ended December 31,		
	2021	**2020**	**2019**
(In millions)			
Proceeds from long-term debt	$ 1,118	$ 1,334	$ 1,530
Repayments of long-term debt	(372)	(342)	(495)
(Repayments of) proceeds from term loan	(500)	500	—
Net short-term borrowings with maturities less than three months	(198)	(5)	(178)
Dividends paid	(428)	(389)	(353)
Anti-dilutive share repurchases	—	—	(36)
Other financing activities, net (a)	35	22	26
Net cash (used in) provided by financing activities	$ (345)	$ 1,120	$ 494

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

In 2021, cash flows provided by financing activities decreased $1,465 million, primarily due to the repayment in full at maturity of the $500 million Term Loan Facility during the first quarter of 2021, an increase in net repayments of commercial paper borrowings, higher dividends paid in 2021 and an increase in repayments of long-term debt due to the prepayment of $327 million in aggregate principal amount of AWCC's outstanding senior notes during the second quarter of 2021.

The Company's financing activities are primarily focused on funding regulated infrastructure expenditures, regulated acquisitions and payment of dividends. These activities included the issuance of long-term and short-term debt, primarily through AWCC. Based on the needs of the Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and parent company. The Regulated Businesses and parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. Parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2021, AWCC has made long-term fixed rate loans and commercial paper loans to the Regulated Businesses amounting to $6.7 billion. Additionally, as of December 31, 2021, AWCC has made long-term fixed rate loans and commercial paper loans to parent company amounting to $3.1 billion.

On May 10, 2021, AWCC completed a $1.1 billion debt offering, which included the sale of $550 million aggregate principal amount of its 2.30% Senior Notes due 2031 and $550 million aggregate principal amount of its 3.25% Senior Notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of $1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay $251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and $76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately $14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of $15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

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

On May 10, 2021, the Company terminated two treasury lock agreements with an aggregate notional amount of $275 million, realizing a net gain of less than $1 million, to be amortized through interest, net over a ten-year period, in accordance with the terms of the new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2021 and 2020.

In February 2021, parent company and AWCC filed with the SEC a universal shelf registration statement that enables the Company to meet its capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand,

general economic conditions, and as applicable, rating status. The shelf registration statement will expire in February 2024. During 2021, 2020 and 2019, $1.10 billion, $1.00 billion, and $1.10 billion, respectively, of debt securities were issued under this and predecessor registration statements.

Presented in the table below are the issuances of long-term debt in 2021:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC (a)	Senior notes—fixed rate	2.30%-3.25%	2.78%	2031-2051	$ 1,100
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.00%	0.04%	2022-2047	18
Total issuances					$ 1,118

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

Presented in the table below are the retirements and redemptions of long-term debt in 2021 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-6.55%	5.94%	2021-2031	$ 327
Other American Water subsidiaries	Private activity mortgage bonds	9.13%-9.69%	9.52%	2021	31
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.38%	2021-2048	13
Other American Water subsidiaries	Mandatory redeemable preferred stock	8.49%-8.49%	8.49%	2022-2022	1
Total retirements and redemptions					$ 372

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

Issuer and Guarantor of Senior Notes

The outstanding senior notes issued by AWCC, the wholly owned finance subsidiary of parent company, have been issued under two indentures, each by and between AWCC and Wells Fargo Bank, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the notes issued thereunder. The senior notes also have been issued with the benefit of a support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under the senior notes. No other subsidiary of parent company provides guarantees for any of the outstanding senior notes. If AWCC is unable to make timely payment of any interest, principal or premium, if any, on such senior notes, parent company will provide to AWCC, at its request or the request of any holder of such senior notes, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any holder of such senior notes, when due, the support agreement provides that the holder may proceed directly against parent company to enforce such rights or to obtain payment of the defaulted amounts owed to that holder.

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

Because parent company is a holding company and substantially all of its operations are conducted through its subsidiaries other than AWCC, parent company's ability to fulfill its obligations under the support agreement will be dependent upon its receipt of sufficient cash dividends or distributions from its operating subsidiaries. See Note 10—Shareholders' Equity—Dividends and Distributions, in the Notes to the Consolidated Financial Statements for a summary of the limitations on parent company and its subsidiaries to pay dividends or make distributions. Furthermore, parent company's operating subsidiaries are separate and distinct legal entities and, other than AWCC, have no obligation to make any payments on the senior notes or to make available or provide any funds for such payment, other than through their repayment obligations under intercompany loans, if any, with AWCC. Based on the foregoing, parent company's obligations under the support agreement will be effectively subordinated to all indebtedness and other liabilities, including trade payables, lease commitments and moneys borrowed or other indebtedness incurred or issued by parent company's subsidiaries other than AWCC.

Credit Facilities and Short-Term Debt

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

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

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

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

	2020		
(In millions)	**Commercial Paper Limit**	**Letters of Credit**	**Total (a)**
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	$ 1,314	$ 74	$ 1,388

(a) Total remaining availability may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2021 and 2020:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2021	$ 116	$ 1,590	$ 1,706
Available liquidity as of December 31, 2020	547	1,388	1,935

The weighted average interest rate on AWCC short-term borrowings, including as of December 31, 2020, $500 million of outstanding principal on the Term Loan Facility, was approximately 0.25% and 1.16%, for the years ended December 31, 2021 and 2020, respectively.

Capital Structure

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

	2021	2020	2019
Total common shareholders' equity	39.9%	37.1%	39.2%
Long-term debt and redeemable preferred stock at redemption value	56.6%	53.6%	55.6%
Short-term debt and current portion of long-term debt	3.5%	9.3%	5.2%
Total	100%	100%	100%

The changes in the capital structure mix between periods were mainly attributable to the impacts of the HOS sale, repayment of the Term Loan Facility at maturity on March 19, 2021, and the Company's long-term debt offering that was completed on May 10, 2021.

Debt Covenants

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

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2021, the Company's ratio was 0.60 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of February 16, 2022 as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

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

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

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

Dividends and Regulatory Restrictions

For discussion of the Company's dividends, dividend restrictions and dividend policy, see Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Insurance Coverage

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

Critical Accounting Policies and Estimates

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

Regulation and Regulatory Accounting

The Company's regulated utilities are subject to regulation by PUCs and, as such, the Company follows the authoritative accounting principles required for rate regulated utilities, which requires the Company to reflect the effects of rate regulation in its Consolidated Financial Statements. Use of this authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2021, the Company concluded that the operations of its utilities met the criteria.

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

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

As of December 31, 2021 and 2020, the Company's regulatory asset balance was $1.1 billion and its regulatory liability balance was $1.6 billion and $1.8 billion, respectively. See Note 4—Regulatory Matters in the Notes to Consolidated Financial Statements for further information regarding the Company's significant regulatory assets and liabilities.

Accounting for Income Taxes

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

In accordance with applicable authoritative guidance, the Company accounts for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the

position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

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

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

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations, failure to successfully implement tax planning strategies and recovery of taxes through the regulatory process for the Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. The resulting tax balances as of December 31, 2021 and 2020 are appropriately accounted for in accordance with the applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to the Consolidated Financial Statements and such adjustments could be material. See Note 15—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared service operations. See Note 16—Employee Benefits in the Notes to Consolidated Financial Statements for additional information regarding the description of and accounting for the defined benefit pension plans and postretirement benefit plans.

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

- Discount Rate—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.
- Expected Return on Plan Assets ("EROA")—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for

the long-term returns on those asset classes. These projected returns reduce the net benefit costs the Company records currently.

- Rate of Compensation Increase—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement.
- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care.
- Mortality— Management adopted the Society of Actuaries Pri-2012 mortality base table, the most recent table developed from private pension plan experience, which provides rates of mortality in 2012 and adopted the new MP-2021 mortality improvement scale to gradually adjust future mortality rates downward due to increased longevity in each year after 2012.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The discount rate for determining pension benefit obligations was 2.94%, 2.74% and 3.44% at December 31, 2021, 2020 and 2019, respectively. The discount rate for determining other postretirement benefit obligations was 2.90%, 2.56% and 3.36% at December 31, 2021, 2020 and 2019, respectively.

In selecting an EROA, the Company considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The long-term EROA assumption used in calculating pension cost was 6.50% for 2021, 6.50% for 2020, and 6.20% for 2019. The weighted average EROA assumption used in calculating other postretirement benefit costs was 3.67% for 2021, 3.68% for 2020 and 3.56% for 2019.

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

Asset Category	2022 Target Allocation	Percentage of Plan Assets as of December 31, 2021	2020
Equity securities	43%	46%	49%
Fixed income	50%	47%	45%
Real Estate	5%	7%	6%
Real estate investment trusts ("REITs")	2%	—%	—%
Total	100%	100%	100%

Postretirement Medical Bargaining Plan Changes

On August 31, 2018, the Postretirement Medical Benefit Plan was remeasured as a result of an announced plan amendment which changed benefits for certain union and non-union plan participants. The plan change resulted in a $175 million reduction in future benefits payable to plan participants, and, in combination with other experience reflected as of the remeasurement date, resulted in a $227 million reduction to the net accumulated postretirement benefit obligation. As of December 31, 2021, the remaining amortization period of the impact of the plan amendment is 6.9 years. As a result of the remeasurement and change in funded status, the Company decreased the investment risk in the plan and reduced its exposure to changes in interest rates by matching the assets of the plan to the projected cash flows for future benefit payments of the liability. Plan assets in excess of those securities designed to match the long-term liabilities are invested in shorter duration fixed income securities and equities.

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

Asset Category	2022 Target Allocation (a)	Percentage of Plan Assets as of December 31, 2021	2020
Equity securities	18%	22%	18%
Fixed income	82%	78%	82%
Total	100%	100%	100%

(a) Includes the American Water Postretirement Medical Benefits Bargaining Plan, the American Water Postretirement Medical Benefits Non-Bargaining Plan, and the American Water Life Insurance Trust.

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

In selecting a rate of compensation increase, the Company considers past experience in light of movements in inflation rates. The Company's rate of compensation increase was 3.51% for 2021, 3.51% for 2020 and 2.97% for 2019.

In selecting health care cost trend rates, the Company considers past performance and forecasts of increases in health care costs. As of January 1, 2021, the Company's health care cost trend rate assumption used to calculate the periodic cost was 6.25% in 2021 gradually declining to 5.00% in 2026 and thereafter. As of December 31, 2021, the Company projects that medical inflation will be 6.00% in 2022 gradually declining to 5.00% in 2026 and thereafter.

The Company will use a discount rate and EROA of 2.94% and 6.50%, respectively, for estimating its 2022 pension costs. Additionally, the Company will use a discount rate and expected blended return based on weighted assets of 2.90% and 3.60%, respectively, for estimating its 2022 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase the Company's pension expense. The Company's 2021 pension and postretirement benefit credit was $41 million and the 2020 pension and postretirement benefit credit was $14 million. The Company expects to make pension contributions to the plan trusts of $37 million in 2022, and $35 million, $33 million, $30 million and $27 million in 2023, 2024, 2025 and 2026, respectively. Actual amounts contributed could change significantly from these estimates. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards.

Revenue Recognition

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

Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for the Company's regulated utilities as of December 31, 2021 and 2020 was $162 million and $150 million, respectively.

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

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

The Company also has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue for the Market-Based Businesses as of December 31, 2021 and 2020 was $86 million and $56 million, respectively.

Accounting for Contingencies

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

Actual amounts realized upon settlement or other resolution of loss contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the Consolidated Financial Statements. See Note 17—Commitments and Contingencies in the Notes to Consolidated Financial Statements for additional information regarding contingencies.

Recent Accounting Standards

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. The Company is exposed to risks from changes in interest rates as a result of its issuance of variable and fixed rate debt and commercial paper. The Company manages its interest rate exposure by limiting its variable rate exposure and by monitoring the effects of market changes in interest rates. The Company also has the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2021, a hypothetical increase of interest rates by 1% associated with the Company's short-term borrowings would result in a $8 million increase in short-term interest expense.

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

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

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

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

The Company is also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which it operates. The credit quality of the Company's customer accounts receivable

is dependent on the economy and the ability of its customers to manage through unfavorable economic cycles and other market changes. In addition, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, the Company's ability to fully recover operating expense, recover its investment and provide an appropriate return on invested capital made in the Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

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

Critical Audit Matters

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

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 4 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were $1,067 million and $1,608 million, respectively, as of December 31, 2021. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

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

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

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

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 16, 2022

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

American Water Works Company, Inc. and Subsidiary Companies

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

	December 31, 2021	December 31, 2020
ASSETS		
Property, plant and equipment	$ 27,413	$ 25,614
Accumulated depreciation	(6,329)	(5,904)
Property, plant and equipment, net	21,084	19,710
Current assets:		
Cash and cash equivalents	116	547
Restricted funds	20	29
Accounts receivable, net of allowance for uncollectible accounts of $75 and $60, respectively	271	321
Unbilled revenues	248	206
Materials and supplies	57	47
Assets held for sale	683	629
Other	159	127
Total current assets	1,554	1,906
Regulatory and other long-term assets:		
Regulatory assets	1,051	1,127
Seller promissory note from the sale of the Homeowner Services Group	720	—
Operating lease right-of-use assets	92	95
Goodwill	1,139	1,504
Postretirement benefit assets	193	173
Intangible assets	—	55
Other	242	196
Total regulatory and other long-term assets	3,437	3,150
Total assets	$ 26,075	$ 24,766

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

American Water Works Company, Inc. and Subsidiary Companies

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

	December 31, 2021	December 31, 2020
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 186,880,413 and 186,466,707 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,781	6,747
Retained earnings	925	102
Accumulated other comprehensive loss	(45)	(49)
Treasury stock, at cost (5,269,324 and 5,168,215 shares, respectively)	(365)	(348)
Total common shareholders' equity	7,298	6,454
Long-term debt	10,341	9,329
Redeemable preferred stock at redemption value	3	4
Total long-term debt	10,344	9,333
Total capitalization	17,642	15,787
Current liabilities:		
Short-term debt	584	1,282
Current portion of long-term debt	57	329
Accounts payable	235	189
Accrued liabilities	701	591
Accrued taxes	176	50
Accrued interest	88	88
Liabilities related to assets held for sale	83	137
Other	217	215
Total current liabilities	2,141	2,881
Regulatory and other long-term liabilities:		
Advances for construction	284	270
Deferred income taxes and investment tax credits	2,421	2,113
Regulatory liabilities	1,600	1,770
Operating lease liabilities	80	81
Accrued pension expense	285	388
Other	180	83
Total regulatory and other long-term liabilities	4,850	4,705
Contributions in aid of construction	1,442	1,393
Commitments and contingencies (See Note 17)		
Total capitalization and liabilities	$ 26,075	$ 24,766

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

American Water Works Company, Inc. and Subsidiary Companies

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

	For the Years Ended December 31,		
	2021	2020	2019
Operating revenues	$3,930	$3,777	$3,610
Operating expenses:			
Operation and maintenance	1,777	1,622	1,544
Depreciation and amortization	636	604	582
General taxes	321	303	280
Other	—	—	(10)
Total operating expenses, net	2,734	2,529	2,396
Operating income	1,196	1,248	1,214
Other income (expense):			
Interest expense	(403)	(397)	(386)
Interest income	4	2	4
Non-operating benefit costs, net	78	49	16
Gain or (loss) on sale of businesses	747	—	(44)
Other, net	18	22	29
Total other income (expense)	444	(324)	(381)
Income before income taxes	1,640	924	833
Provision for income taxes	377	215	212
Net income attributable to common shareholders	$1,263	$ 709	$ 621
Basic earnings per share: (a)			
Net income attributable to common shareholders	$ 6.96	$ 3.91	$ 3.44
Diluted earnings per share: (a)			
Net income attributable to common shareholders	$ 6.95	$ 3.91	$ 3.43
Weighted average common shares outstanding:			
Basic	182	181	181
Diluted	182	182	181

(a) Amounts may not calculate due to rounding.

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2021	2020	2019
Net income attributable to common shareholders	$ 1,263	$ 709	$ 621
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of $0, $(4) and $3 in 2021, 2020 and 2019, respectively	(1)	(12)	8
Defined benefit pension plan actuarial loss, net of tax of $1, $1 and $1 in 2021, 2020 and 2019, respectively	4	3	4
Foreign currency translation adjustment	—	—	(1)
Unrealized gain (loss) on cash flow hedges, net of tax of $1, $(1) and $(5) in 2021, 2020 and 2019, respectively	1	(4)	(13)
Net other comprehensive income (loss)	4	(13)	(2)
Comprehensive income attributable to common shareholders	$ 1,267	$ 696	$ 619

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2021	**2020**	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 1,263	$ 709	$ 621
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	636	604	582
Deferred income taxes and amortization of investment tax credits	230	207	208
Provision for losses on accounts receivable	37	34	28
(Gain) or loss on sale of businesses	(747)	—	34
Pension and non-pension postretirement benefits	(41)	(14)	17
Other non-cash, net	(23)	(20)	(41)
Changes in assets and liabilities:			
Receivables and unbilled revenues	(74)	(97)	(25)
Pension and non-pension postretirement benefit contributions	(40)	(39)	(31)
Accounts payable and accrued liabilities	66	(2)	66
Other assets and liabilities, net	134	44	(76)
Net cash provided by operating activities	1,441	1,426	1,383
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,764)	(1,822)	(1,654)
Acquisitions, net of cash acquired	(135)	(135)	(235)
Proceeds from sale of assets, net of cash on hand	472	2	48
Removal costs from property, plant and equipment retirements, net	(109)	(106)	(104)
Net cash used in investing activities	(1,536)	(2,061)	(1,945)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	1,118	1,334	1,530
Repayments of long-term debt	(372)	(342)	(495)
(Repayments of) proceeds from term loan	(500)	500	—
Net short-term borrowings with maturities less than three months	(198)	(5)	(178)
(Remittances) proceeds from issuances of employee stock plans and direct stock purchase plan, net of taxes paid of $18, $17 and $11 in 2021, 2020 and 2019, respectively	(1)	9	15
Advances and contributions in aid of construction, net of refunds of $25, $24 and $30 in 2021, 2020 and 2019, respectively	62	28	26
Debt issuance costs and make-whole premium on early debt redemption	(26)	(15)	(15)
Dividends paid	(428)	(389)	(353)
Anti-dilutive share repurchases	—	—	(36)
Net cash (used in) provided by financing activities	(345)	1,120	494
Net (decrease) increase in cash, cash equivalents and restricted funds	(440)	485	(68)
Cash, cash equivalents and restricted funds at beginning of period	576	91	159
Cash, cash equivalents and restricted funds at end of period	$ 136	$ 576	$ 91
Cash paid during the year for:			
Interest, net of capitalized amount	$ 389	$ 382	$ 383
Income taxes, net of refunds of $6, $2 and $4 in 2021, 2020 and 2019, respectively	$ 1	$ 7	$ 12
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	$ 292	$ 221	$ 235
Seller promissory note from the sale of the Homeowner Services Group	$ 720	$ —	$ —
Contingent cash payment from the sale of the Homeowner Services Group	$ 75	$ —	$ —

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Changes in Shareholders' Equity

(In millions, except per share data)

	Common Stock		Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2018	185.4	$ 2	$ 6,657	$ (464)	$ (34)	(4.7)	$ (297)	$ 5,864
Cumulative effect of change in accounting principle	—	—	—	(2)	—	—	—	(2)
Net income attributable to common shareholders	—	—	—	621	—	—	—	621
Common stock issuances (a)	0.5	—	43	—	—	(0.1)	(5)	38
Repurchases of common stock	—	—	—	—	—	(0.3)	(36)	(36)
Net other comprehensive income	—	—	—	—	(2)	—	—	(2)
Dividends ($2.00 declared per common share)	—	—	—	(362)	—	—	—	(362)
Balance as of December 31, 2019	185.9	$ 2	$ 6,700	$ (207)	$ (36)	(5.1)	$ (338)	$ 6,121
Net income attributable to common shareholders	—	—	—	709	—	—	—	709
Common stock issuances (a)	0.6	—	47	—	—	(0.1)	(10)	37
Net other comprehensive income	—	—	—	—	(13)	—	—	(13)
Dividends ($2.20 declared per common share)	—	—	—	(400)	—	—	—	(400)
Balance as of December 31, 2020	186.5	$ 2	$ 6,747	$ 102	$ (49)	(5.2)	$ (348)	$ 6,454
Net income attributable to common shareholders	—	—	—	1,263	—	—	—	1,263
Common stock issuances (a)	0.4	—	34	—	—	(0.1)	(17)	17
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends ($2.41 declared per common share)	—	—	—	(440)	—	—	—	(440)
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298

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

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

American Water Works Company, Inc. and Subsidiary Companies

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

Note 1: Organization and Operation

American Water Works Company, Inc. (the "Company" or "American Water") is a holding company for regulated and market-based subsidiaries that provide water and wastewater services throughout the United States. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries. The Company's primary business involves the ownership of regulated utilities that provide water and wastewater services in 14 states in the United States, collectively referred to as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services within non-reportable operating segments, collectively referred to as the "Market-Based Businesses." The Company's primary Market-Based Businesses include the Military Services Group ("MSG"), which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations; and the former Homeowner Services Group ("HOS"), which provided various warranty protection programs and other home services to residential customers.

Note 2: Significant Accounting Policies

Regulation

The Company's regulated utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions ("PUCs"). As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's Consolidated Financial Statements. PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also approve accounting treatments, long-term financing programs and cost of capital, operation and maintenance ("O&M") expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers, acquisitions and dispositions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility's revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, these principles also require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 4—Regulatory Matters for additional information.

Use of Estimates

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

Principles of Consolidation

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

Property, Plant and Equipment

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

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

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

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

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs amounted to $374 million and $360 million as of December 31, 2021 and 2020, respectively.

Cash and Cash Equivalents, and Restricted Funds

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

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

Accounts Receivable and Unbilled Revenues

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

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. An increase in the allowance for uncollectible accounts for the periods ending December 31, 2021 and 2020 reflects the impacts from the COVID-19 pandemic, including an increase in uncollectible accounts expense and a reduction in amounts written off due to shutoff moratoria in place across the Company's subsidiaries. See Note 8—Allowance for Uncollectible Accounts for additional information.

Materials and Supplies

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

Seller Promissory Note

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

Leases

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

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

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

Goodwill

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

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

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

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

The Company believes the assumptions and other considerations used to value goodwill to be appropriate, however, if actual experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements. See Note 9—Goodwill and Other Intangible Assets for additional information.

Intangible Assets

Intangible assets consisted primarily of finite-lived customer relationships associated with the acquisition of Pivotal Home Solutions in June 2018. Finite-lived intangible assets were initially measured at their estimated fair values and were amortized over their estimated useful lives based on the pattern in which the economic benefits of the intangible assets were consumed or otherwise used. See Note 9—Goodwill and Other Intangible Assets for additional information. All of the Company's finite-lived intangible assets were sold as part of the HOS sale transaction.

Impairment of Long-Lived Assets

Long-lived assets include property, plant and equipment, goodwill, intangible assets and long-term investments. The Company evaluates long-lived assets for impairment when circumstances indicate the carrying value of those assets may not be recoverable. When such indicators arise, the Company estimates the fair value of the long-lived asset from future cash flows expected to result from its use and, if applicable, the eventual disposition of the asset, comparing the estimated fair value to the carrying value of the asset. An impairment loss will be recognized in the amount equal to the excess of the long-lived asset's carrying value compared to its estimated fair value.

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

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

Advances for Construction and Contributions in Aid of Construction

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

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2021 and 2020 on the Consolidated Balance Sheets are estimated refunds of $23 million and $23 million, respectively. Those amounts represent expected refunds during the next 12-month period.

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

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was $36 million, $32 million and $29 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Revenue Recognition

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

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

Regulated Businesses Revenue

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

Market-Based Businesses Revenue

The Company has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. See Note 5—Revenue Recognition for additional information.

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

Income Taxes

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

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

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

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis. See Note 15—Income Taxes for additional information.

Allowance for Funds Used During Construction

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

	2021	2020	2019
Allowance for other funds used during construction	$ 27	$ 30	$ 28
Allowance for borrowed funds used during construction	10	13	13

Environmental Costs

The Company's water and wastewater operations and the operations of its Market-Based Businesses are subject to U.S. federal, state, local and foreign requirements relating to environmental protection, and as such, the Company periodically becomes subject to environmental claims in the normal course of business. Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued, on an undiscounted basis, when it is probable that these costs will be incurred and can be reasonably estimated. A conservation agreement entered into by a subsidiary of the Company with the National Oceanic and Atmospheric Administration in 2010 and amended in 2017 required the subsidiary to, among other provisions, implement certain measures to protect the steelhead trout and its habitat in the Carmel River watershed in the State of California. The subsidiary agreed to pay $1 million annually commencing in 2010 with the final payment made in 2021. No remediation costs were accrued as of December 31, 2021 and $1 million was accrued as of December 31, 2020.

Derivative Financial Instruments

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

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

Changes in the fair value of a fair-value hedge, along with the gain or loss on the underlying hedged item, are recorded in current-period earnings. The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities on the Consolidated Statements of Cash Flows. See Note 12—Long-Term Debt for additional information.

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2021:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Facilitation of the Effects of Reference Rate Reform on Financial Reporting	Provided optional guidance for a limited time to ease the potential accounting burden associated with the transition from London Interbank Offered Rate ("LIBOR"). The guidance contains optional expedients and exceptions for contract modifications, hedging relationships, and other transactions that reference LIBOR or other reference rates expected to be discontinued. The expedients elected must be applied for all eligible contracts or transactions, with the exception of hedging relationships, which can be applied on an individual basis.	March 12, 2020 through December 31, 2022	Prospective for contract modifications and hedging relationships; applied as of January 1, 2020.	The standard did not have a material impact on the Consolidated Financial Statements.
Simplifying the Accounting for Income Taxes	The guidance removes exceptions related to the incremental approach for intraperiod tax allocation, the requirement to recognize a deferred tax liability for changes in ownership of a foreign subsidiary or equity method investment, and the general methodology for calculating income taxes in an interim period when the year-to-date loss exceeds the anticipated loss. The guidance adds requirements to reflect changes to tax laws or rates in the annual effective tax rate computation in the interim period in which the changes were enacted, to recognize franchise or other similar taxes that are partially based on income as an income-based tax and any incremental amounts as non-income-based tax, and to evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction.	January 1, 2021	Modified retrospective for amendments related to changes in ownership of a foreign subsidiary or equity method investment; Modified retrospective or retrospective for amendments related to taxes partially based on income; Prospective for all other amendments.	The standard did not have a material impact on the Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2021:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022	Either modified retrospective or fully retrospective	The Company anticipates the adoption of the standard will not have a material impact on its Consolidated Financial Statements.
Disclosures by Business Entities about Government Assistance	The amendments in this update requires additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about these government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies	January 1, 2022	Either prospective or retrospective	The Company is evaluating any impact on its Consolidated Financial Statements.
Accounting for Contract Asset and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606 as if it had originated the contracts.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation. The Company reclassified $44 million relating to loss on the sale of Keystone Clearwater Solutions, LLC in 2019 from operating expenses to other income (expenses) included in Gain or (loss) on sale of businesses on the Consolidated Statements of Operations.

Note 3: Impact of the COVID-19 Pandemic

American Water continues to monitor the COVID-19 pandemic and has experienced financial impacts since the start of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental O&M expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as "financial impacts."

As of February 16, 2022, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 13 jurisdictions. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California's Catastrophic Event Memorandum Account allows the Company's California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO

The Company's Pennsylvania subsidiary filed for a request with the Pennsylvania Public Utility Commission (the "PaPUC") to defer as a regulatory asset all identified COVID-19 financial impacts. On September 15, 2021, the PaPUC issued an order approving the Company's request to defer, with carrying costs, incremental uncollectible expense and other incremental costs net of savings attributed to the COVID-19 pandemic. The PaPUC order denied the request to include lost revenues attributed to the waiver of late fees and reconnect fees and expenses associated with additional interest costs. Additionally, the PaPUC order approved the request to allow for the continuation of the deferral of financial impacts, rejecting proposals from the intervening parties to define an end date to the deferral in 2021. As a result of the order discussed above, the Company recorded a net $7 million reduction to its regulatory assets and corresponding impacts to revenue, interest expense and uncollectible expense during the third quarter of 2021. The Company continues to evaluate options within its next base rate case to address these denied items and the resulting financial impact.

On July 28, 2021, the Company's Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General, which reflected agreement on the deferral of COVID-19-related financial impacts through April 30, 2021. On August 9, 2021, the Tennessee Public Utility Commission denied the stipulation and settlement agreement and moved to address the Company's Tennessee subsidiary's petition to defer the COVID-19 financial impacts in a future hearing. On August 26, 2021, the Company's Tennessee subsidiary filed a motion to withdraw its pending petition, preserving its right to seek recovery of the COVID-19 financial impacts in a future proceeding.

In December 2020, the Kentucky Public Service Commission issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic.

Consistent with these regulatory orders, the Company has recorded $36 million in regulatory assets and $6 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of December 31, 2021.

As of February 16, 2022, one state, New Jersey, continues moratoria until March 15, 2022, on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in 12 states.

Note 4: Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of the excess accumulated deferred income taxes ("EADIT") that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate cases authorizations that became effective during 2019 through 2021:

(In millions)	2021	2020	2019
General rate cases by state (a):			
Iowa (effective October 11, 2021)	$ 1	$ —	$ —
Missouri (effective May 28, 2021)	22	—	—
Pennsylvania (effective January 28, 2021)	70	—	—
California (effective January 1, 2021, January 1, 2020 and May 11, 2019)	22	5	4
New Jersey (effective November 1, 2020)	—	54	—
Indiana (effective May 1, 2020 and July 1, 2019)	—	13	4
Kentucky (effective June 28, 2019)	—	—	13
West Virginia (effective February 25, 2019)	—	—	19
Maryland (effective February 5, 2019)	—	—	1
Total general rate case authorizations	$ 115	$ 72	$ 41

(a) Excludes authorized increases of $7 million and $4 million in 2021 and 2019, respectively, for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures for additional information.

On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which is retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of $22 million, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The EADIT reduction in revenues is $4 million and is offset by a like reduction in income tax expense. On January 18, 2022, the Company's California subsidiary filed for approval of $13 million in 2022 escalation increases, excluding $4 million of reductions related to the TCJA. This filing, which is retroactive to January 1, 2022, is subject to CPUC approval with a 45-day review period.

On June 28, 2021, an order was issued authorizing an increase of $1 million in the general rate case filed by the Company's Iowa subsidiary in 2020. The Company's Iowa subsidiary filed tariffs consistent with the order on September 23, 2021. Effective October 11, 2021, the Iowa Utilities Board approved the tariffs and implemented the new rates.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of $22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of $72 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of $74 million is being returned to customers over 10 years. The $25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of $13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. A scheduling order was issued on October 18, 2021 establishing a briefing schedule through March 2022. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is $19 million. The overall increase, net of TCJA reductions, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting $71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On January 14, 2022, the Company's New Jersey subsidiary filed a general rate case requesting $110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On December 1, 2021, the Company's Kentucky subsidiary filed a wastewater rate case requesting additional revenues of $1 million, excluding proposed reductions for EADIT as a result of TCJA. The Company requested a four-step rate increase for their wastewater operations with effective dates of June 1, 2022, June 1, 2023, June 1, 2024 and June 1, 2025 for annual amounts of less than $1 million each year. The Company filed their wastewater case under the alternative rate filing process for smaller utilities which calculates an operating ratio of 88% rather than a return on equity.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting $15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On August 18, 2021, the Company's Hawaii subsidiary filed a general rate case requesting $2 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting $32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is $1 million and the exclusion for infrastructure surcharges is $10 million. Intervenor testimony was received on September 20, 2021. The Company's rebuttal testimony was filed on October 5, 2021. Hearings were conducted on November 3 and 4, 2021. A final order is expected no later than February 24, 2022.

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

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective during 2019 through 2021:

(In millions)	**2021**	**2020**	**2019**
Infrastructure surcharges by state (a):			
New Jersey (b)	$ 26	$ 20	$ 15
Missouri (c)	7	12	14
Kentucky (effective July 1, 2021 and July 1, 2020)	1	1	—
Indiana (effective March 17, 2021)	8	—	—
Pennsylvania (d)	8	27	11
Illinois (effective January 1, 2021, January 1, 2020 and January 1, 2019)	7	7	8
West Virginia (effective January 1, 2021, January 1, 2020 and January 1, 2019)	5	3	2
Tennessee (effective January 1, 2021, January 1, 2020 and September 1, 2019)	3	2	1
Total infrastructure surcharge authorizations	$ 65	$ 72	$ 51

(a) Excludes authorized increases of $2 million in 2019 for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures for additional information.

(b) In 2021, $12 million was effective on December 30 and $14 million was effective June 28. In 2020, $10 million was effective June 29 and $10 million was effective January 1. In 2019, the effective date was July 1.

(c) In 2021, the effective date was October 7. In 2020, $2 million was effective December 14 and $10 million was effective June 27. In 2019, $5 million was effective December 21 and $9 million was effective June 24.

(d) In 2021, the effective date was January 1. In 2020, $8 million was effective October 1, $4 million was effective July 1, $5 million was effective April 1 and $10 million was effective January 1. In 2019, $6 million was effective October 1, $3 million was effective July 1 and $2 million was effective April 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective after January 1, 2022:

(In millions)	**Amount**
Infrastructure surcharge filings by state:	
Illinois (effective January 1, 2022)	$ 6
Missouri (effective February 1, 2022)	12
Total infrastructure surcharge filings	$ 18

Pending Infrastructure Surcharge Filings

On January 19, 2022, the Company's Indiana subsidiary filed for infrastructure surcharges requesting $8 million in additional annualized revenues.

On June 30, 2021, the Company's West Virginia subsidiary filed for an infrastructure surcharge requesting $3 million in additional annualized revenues.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company's total regulatory asset balance at December 31, 2021 earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	2021	2020
Deferred pension expense	$ 323	$ 374
Removal costs recoverable through rates	313	314
Regulatory balancing accounts	52	57
Other	439	446
Less: Regulatory assets included in assets held for sale (a)	(76)	(64)
Total regulatory assets	$ 1,051	$ 1,127

(a) These regulatory assets are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $317 million and $366 million as of December 31, 2021 and 2020, respectively. The remaining portion is the pension expense in excess of the amount contributed to the pension plans which is deferred by certain subsidiaries and will be recovered in future service rates as contributions are made to the pension plan.

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

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

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

The Company has current regulatory assets of $16 million and $13 million included in other current assets on the Consolidated Balance Sheet as of December 31, 2021 and 2020, respectively, which is primarily made up of deferred vacation pay.

Regulatory Liabilities

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

	2021	2020
Income taxes recovered through rates	$ 1,093	$ 1,230
Removal costs recovered through rates	291	301
Postretirement benefit liability	153	170
Other	110	111
Less: Regulatory liabilities included in liabilities related to assets held for sale (a)	(47)	(42)
Total regulatory liabilities	$ 1,600	$ 1,770

(a) These regulatory liabilities are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Income taxes recovered through rates relate to deferred taxes that will likely be refunded to the Company's customers. On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, as amended (the "Code"), including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. The enactment of the TCJA required a re-measurement of the Company's deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT will be used to benefit its regulated customers in future rates. Twelve of the Company's regulated subsidiaries are amortizing EADIT and crediting customers. The Company expects the timing of the amortization of EADIT credits for the one remaining regulated subsidiary to be addressed in a pending or future rate case or other proceedings.

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

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

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

The Company has current regulatory liabilities of $8 million and $6 million included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2021 and 2020, respectively, which primarily is made up of TCJA reserve on revenue.

Note 5: Revenue Recognition

Disaggregated Revenues

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

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,935	$ —	$ 1,935
Commercial	676	—	676
Fire service	151	—	151
Industrial	141	—	141
Public and other	230	—	230
Total water services	3,133	—	3,133
Wastewater services:			
Residential	151	—	151
Commercial	37	—	37
Industrial	4	—	4
Public and other	16	—	16
Total wastewater services	208	—	208
Miscellaneous utility charges	26	—	26
Alternative revenue programs	—	9	9
Lease contract revenue	—	8	8
Total Regulated Businesses	3,367	17	3,384
Market-Based Businesses	563	—	563
Other	(16)	(1)	(17)
Total operating revenues	$ 3,914	$ 16	$ 3,930

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

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

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,895	$ —	$ 1,895
Commercial	627	—	627
Fire service	147	—	147
Industrial	133	—	133
Public and other	201	—	201
Total water services	3,003	—	3,003
Wastewater services:			
Residential	134	—	134
Commercial	34	—	34
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	185	—	185
Miscellaneous utility charges	32	—	32
Alternative revenue programs	—	25	25
Lease contract revenue	—	10	10
Total Regulated Businesses	3,220	35	3,255
Market-Based Businesses	540	—	540
Other	(17)	(1)	(18)
Total operating revenues	$ 3,743	$ 34	$ 3,777

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

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2019:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,734	$ 1	$ 1,735
Commercial	639	—	639
Fire service	142	—	142
Industrial	138	—	138
Public and other	214	—	214
Total water services	2,867	1	2,868
Wastewater services:			
Residential	119	—	119
Commercial	31	—	31
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	167	—	167
Miscellaneous utility charges	36	—	36
Alternative revenue programs	—	16	16
Lease contract revenue	—	7	7
Total Regulated Businesses	3,070	24	3,094
Market-Based Businesses	539	—	539
Other	(22)	(1)	(23)
Total operating revenues	$ 3,587	$ 23	$ 3,610

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

Contract Balances

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

Contract assets of $71 million, $39 million and $13 million are included in unbilled revenues on the Consolidated Balance Sheets as of December 31, 2021, 2020 and 2019, respectively. There were $71 million of contract assets added during 2021, and $39 million of contract assets were transferred to accounts receivable during 2021. There were $60 million of contract assets added during 2020, and $34 million of contract assets were transferred to accounts receivable during 2020.

Contract liabilities of $19 million, $35 million and $27 million are included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2021, 2020 and 2019, respectively. There were $152 million of contract liabilities added during 2021, and $168 million of contract liabilities were recognized as revenue during

2021. There were $120 million of contract liabilities added during 2020, and $112 million of contract liabilities were recognized as revenue during 2020.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of December 31, 2021, the Company's O&M and capital improvement contracts in the Market-Based Businesses have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of $6.2 billion as of December 31, 2021, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2022 and 2038 and have RPOs of $584 million as of December 31, 2021, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 6: Acquisitions and Divestitures

Regulated Businesses

Acquisitions

During 2021, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $112 million, which added approximately 20,000 water and wastewater customers, including the acquisitions of the East Pasadena Water Company in California on September 23, 2021 for $34 million, the water and wastewater system assets of Valley Township in Pennsylvania on November 19, 2021 for $21 million and the Lowell water system in Indiana on December 28, 2021 for $25 million. Assets acquired from these acquisitions, principally utility plant, totaled $114 million and liabilities assumed totaled $2 million. Several of these acquisitions were accounted for as business combinations. The preliminary purchase price allocations related to acquisitions accounted for as business combinations will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

On April 6, 2021, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for $235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system, directly and indirectly through bulk contracts, serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company's Pennsylvania subsidiary paid a $20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

During 2020, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $135 million. Assets acquired from these acquisitions, principally utility plant, totaled $159 million and liabilities assumed totaled $29 million, including $21 million of contributions in aid of construction and assumed debt of $7 million. The Company recorded additional goodwill of $5 million associated with two of its acquisitions, which is reported in its Regulated Businesses segment.

During 2019, the Company closed on 21 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $235 million. Assets acquired from these acquisitions, principally utility plant, totaled $237 million and liabilities assumed, primarily contributions in aid of construction, totaled $5 million. The Company recorded additional goodwill of $3 million associated with three of its acquisitions, which is reported in its Regulated Businesses segment.

Assets Held for Sale

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021 and 2020.

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

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

Sale of Michigan American Water Company

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

Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately $1.275 billion, resulting in pre-tax gain on sale of $748 million. The consideration is comprised of $480 million in cash, a seller promissory note issued by the Buyer in the principal amount of $720 million, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 19—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The repayment obligations of the Buyer under the seller note have been secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain

limitations and exceptions. The seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants.

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

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

The Company and the Buyer also entered into a revenue share agreement, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods.

The pro forma impact of the Company's divestitures was not material to the Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019.

Note 7: Property, Plant and Equipment

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

	2021	2020	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	$ 210	$ 174		
Sources of supply	938	897	2 to 127 years	46 years
Treatment and pumping facilities	4,198	3,984	3 to 111 years	39 years
Transmission and distribution facilities	12,308	11,457	9 to 130 years	69 years
Services, meters and fire hydrants	4,888	4,555	5 to 90 years	31 years
General structures and equipment	2,200	2,003	1 to 109 years	15 years
Waste collection	1,363	1,288	5 to 113 years	58 years
Waste treatment, pumping and disposal	912	859	2 to 139 years	38 years
Construction work in progress	934	837		
Less: Utility plant included in assets held for sale (a)	(664)	(646)		
Total utility plant	27,287	25,408		
Nonutility property	126	211	3 to 50 years	6 years
Less: Nonutility plant included in assets held for sale (a)	—	(5)		
Total property, plant and equipment	$27,413	$25,614		

(a) This property, plant and equipment is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Property, plant and equipment depreciation expense amounted to $550 million, $520 million and $508 million for the years ended December 31, 2021, 2020 and 2019, respectively and was included in depreciation and amortization expense on the Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.77%, 2.82% and 2.96% for years December 31, 2021, 2020 and 2019, respectively. Additionally, the Company had capital expenditures acquired on account but unpaid of $292 million and $221 million included in accrued liabilities on the Consolidated Balance Sheets as of December 31, 2021 and 2020, respectively.

In 2019, the Company completed and submitted its project completion certification to the New Jersey Economic Development Authority ("NJEDA") in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The NJEDA determined that the Company is qualified to receive $164 million in tax credits over a ten-year period. The Company is required to meet various annual requirements in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15. The Company has made the necessary annual filings for the years ended December 31, 2019 and 2020 and expects to file the 2021 filing by April 30, 2022. As a result, the Company had receivables of $49 million and $115 million in other current assets and other long-term assets, respectively, on the Consolidated Balance Sheets as of December 31, 2021. The submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in the first half of 2022.

In March 2020, in connection with the COVID-19 pandemic, the NJEDA, pursuant to Executive Order 103 – State of Emergency and a Public Health Emergency, temporarily waived the requirement that a full-time employee must spend at least 80% of his or her time at the qualified business facility ("QBF") to meet the definition of eligible position or full-time job. The waiver will continue for as long as New Jersey's Executive Order 281 is valid. On July 2, 2021, New Jersey's Governor approved a bill that revised provisions of the Economic Recovery Act of 2020 and other economic development programs, including amending the definition of an eligible position and full-time job in the Grow New Jersey Program and replacing the 80% requirement of time spent at the QBF. The bill states that an eligible position is one that is filled by a full-time employee who has their primary office at the QBF and spends at least 60% of their time at the QBF. The bill specifically states that it supersedes the existing regulations and existing incentive agreements that require an eligible employee spend at least 80% of their time at the QBF.

Note 8: Allowance for Uncollectible Accounts

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

	2021	2020	2019
Balance as of January 1	$ (60)	$ (41)	$ (45)
Amounts charged to expense	(37)	(34)	(28)
Amounts written off	17	12	32
Less: Allowance for uncollectible accounts included in assets held for sale (a)	5	3	—
Balance as of December 31	$ (75)	$ (60)	$ (41)

(a) This portion of the allowance for uncollectible accounts is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Note 9: Goodwill and Other Intangible Assets

Goodwill

Presented in the table below are the changes in the carrying value of goodwill for the years ended December 31, 2021 and 2020:

	Regulated Businesses		Market-Based Businesses		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2020	$3,497	$ (2,332)	$ 483	$ (108)	$3,980	$ (2,440)	$1,540
Goodwill from acquisitions	5	—	—	—	5	—	5
Measurement period adjustments	(2)	—	—	—	(2)	—	(2)
Less: Goodwill included in assets held for sale (a)	(39)	—	—	—	(39)	—	(39)
Balance as of December 31, 2020	$3,461	$ (2,332)	$ 483	$ (108)	$3,944	$ (2,440)	$1,504
Measurement period adjustments	(7)	—	—	—	(7)	—	(7)
Goodwill included in assets held for sale (a)	12	—	—	—	12	—	12
Goodwill reduced through sale of HOS	—	—	(370)	—	(370)	—	(370)
Balance as of December 31, 2021	$3,466	$ (2,332)	$ 113	$ (108)	$3,579	$ (2,440)	$1,139

(a) This goodwill is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

In 2021, the Company reduced goodwill by $370 million included in Market-Based Businesses through the sale of HOS. See Note 6—Acquisitions and Divestitures for additional information relating to the sale of HOS.

The Company completed its annual impairment testing of goodwill as of November 30, 2021, which included qualitative assessments of its Regulated Businesses and MSG reporting units. Based on these assessments, the Company determined that there were no factors present that would indicate that the fair value of these reporting units was less than their respective carrying values as of November 30, 2021.

In 2020, the Company acquired goodwill of $5 million associated with two of its acquisitions in the Regulated Businesses segment.

Intangible Assets

The Company held finite-lived intangible assets, including customer relationships and other intangible assets prior to the sale of HOS during the fourth quarter of 2021. All of the Company's finite-lived intangible assets were sold as part of the HOS sale transaction. As a result, there was no gross carrying value or net book value of customer relationships and other intangible assets remaining as of December 31, 2021. The gross carrying value of customer relationships and other intangible assets as of December 31, 2020 was $78 million and $13 million, respectively. Accumulated amortization of customer relationships and other intangible assets was $29 million and $7 million, respectively, as of December 31, 2020. Intangible asset amortization expense amounted to $9 million, $12 million and $14 million for the years ended December 31, 2021, 2020 and 2019, respectively. Amortization expense related to customer relationships and other intangible assets was $7 million and $2 million, respectively, for the year ended December 31, 2021.

Note 10: Shareholders' Equity

Common Stock

Under the Company's dividend reinvestment and direct stock purchase plan (the "DRIP"), shareholders may reinvest cash common stock dividends and purchase additional shares of Company common stock, up to certain limits, through the plan administrator without paying brokerage commissions. Shares purchased by participants through the DRIP may be newly issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2021, there were approximately 5.1 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allows the Company to purchase up to 10 million shares of its outstanding common stock from time to time over an unrestricted period of time. The Company did not repurchase shares of common stock during the years ended December 31, 2021 and 2020. As of December 31, 2021, there were 5.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2021 and 2020:

	Defined Benefit Plans				
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Gain (Loss) on Cash Flow Hedge	Accumulated Other Comprehensive Loss
Beginning balance as of January 1, 2020	$ (94)	$ 1	$ 60	$ (3)	$ (36)
Other comprehensive income (loss) before reclassification	(12)	—	—	(4)	(16)
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	3
Net other comprehensive income (loss)	(12)	—	3	(4)	(13)
Ending balance as of December 31, 2020	$ (106)	$ 1	$ 63	$ (7)	$ (49)
Other comprehensive income (loss) before reclassification	(1)	—	—	1	—
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	4
Net other comprehensive income (loss)	(1)	—	4	1	4
Ending balance as of December 31, 2021	$ (107)	$ 1	$ 67	$ (6)	$ (45)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 16—Employee Benefits for additional information.

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

Dividends and Distributions

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

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

During 2021, 2020 and 2019, the Company paid $428 million, $389 million and $353 million in cash dividends, respectively. Presented in the table below is the per share cash dividends paid for the years ended December 31:

	2021	2020	2019
December	$ 0.6025	$ 0.55	$ 0.50
September	$ 0.6025	$ 0.55	$ 0.50
June	$ 0.6025	$ 0.55	$ 0.50
March	$ 0.55	$ 0.50	$ 0.455

On December 9, 2021, the Company's Board of Directors declared a quarterly cash dividend payment of $0.6025 per share payable on March 1, 2022, to shareholders of record as of February 8, 2022.

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

Regulatory Restrictions on Indebtedness

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

Note 11: Stock Based Compensation

The Company has granted stock options, stock units and dividend equivalents to non-employee directors, officers and other key employees of the Company pursuant to the terms of its 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). Stock units under the 2007 Plan generally vest based on (i) continued employment with the Company ("RSUs"), or (ii) continued employment with the Company where distribution of the shares is subject to the satisfaction in whole or in part of stated performance-based goals ("PSUs"). The 2007 Plan has been replaced by the 2017 Omnibus Plan, as defined below, and no additional awards may be granted under the 2007 Plan. However, shares may still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

In May 2017, the Company's shareholders approved the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"). The Company has granted stock units, including RSUs and PSUs, stock awards and dividend equivalents to non-employee directors, officers and employees under the 2017 Omnibus Plan. A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2021, 6.5 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents. Dividend equivalents may be granted only on stock units or other stock-based awards. The 2017 Omnibus Plan expires in 2027.

The cost of services received from employees in exchange for the issuance of stock options and restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock options and stock unit awards at the date of the grant is amortized through expense over the requisite service period. All awards granted in 2021, 2020 and 2019 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. There have been no significant adjustments to the forfeiture rates during 2021, 2020 and 2019. There were no grants of stock options to employees after 2016, and the remaining stock options outstanding as of December 31, 2021 were not material. Presented in the table below is the stock-based compensation expense recorded in O&M expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2021	2020	2019
RSUs and PSUs	$ 15	$ 19	$ 15
Nonqualified employee stock purchase plan	2	2	2
Stock-based compensation	17	21	17
Income tax benefit	(4)	(5)	(4)
Stock-based compensation expense, net of tax	$ 13	$ 16	$ 13

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2021, 2020 and 2019.

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

Stock Units

During 2021, 2020 and 2019, the Company granted RSUs to certain employees under the 2017 Omnibus Plan. RSUs generally vest based on continued employment with the Company over periods ranging from one to three years.

During 2021, 2020 and 2019, the Company granted stock units to non-employee directors under the 2017 Omnibus Plan. The stock units were vested in full on the date of grant; however, distribution of the shares will be made within 30 days of the earlier of (i) 15 months after the date of the last annual meeting of shareholders, subject to any deferral election by the director, or (ii) the participant's separation from service. Because these stock units vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

The RSUs are valued at the closing price of the Company's common stock on the date of the grant and the majority vest ratably over a three-year service period. These RSUs are amortized through expense over the requisite service period using the straight-line method.

Presented in the table below is RSU activity for the year ended December 31, 2021:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2020	92	$ 100.39
Granted	45	158.54
Vested	(76)	122.26
Forfeited	(13)	128.93
Non-vested total as of December 31, 2021	48	$ 112.22

As of December 31, 2021, $3 million of total unrecognized compensation cost related to the nonvested RSUs is expected to be recognized over the weighted average remaining life of 1.33 years. The total fair value of stock units and RSUs vested was $9 million, $5 million and $4 million for the years ended December 31, 2021, 2020 and 2019, respectively.

During 2021, 2020 and 2019, the Company granted PSUs to certain employees under the 2017 Omnibus Plan. The majority of PSUs vest ratably based on continued employment with the Company over the three-year performance period (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of one or more internal performance measures and, separately, a relative total shareholder return performance measure, over the Performance Period.

Presented in the table below is PSU activity for the year ended December 31, 2021:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2020	293	$ 105.70
Granted	145	128.30
Vested	(186)	75.47
Forfeited	(20)	159.99
Non-vested total as of December 31, 2021	232	$ 139.40

As of December 31, 2021, $3 million of total unrecognized compensation cost related to the nonvested PSUs is expected to be recognized over the weighted average remaining life of 0.71 years. The total fair value of PSUs vested was $22 million, $18 million and $14 million for the years ended December 31, 2021, 2020 and 2019, respectively.

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

	2021	2020	2019
Expected volatility	28.59%	16.65%	16.80%
Risk-free interest rate	0.22%	1.28%	2.47%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	$229.22	$159.64	$110.37

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

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the "ESPP") that expires in 2027 through which employee participants (other than the Company's executive officers) may use payroll deductions to acquire Company common stock at a purchase price of 85% of the fair market value of the common stock at the end of a three-month purchase period. A total of 2.0 million shares may be issued under the ESPP, and as of December 31, 2021, there were 1.6 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2021, 2020 and 2019, the Company issued 80 thousand, 86 thousand and 88 thousand shares, respectively, under the ESPP.

Note 12: Long-Term Debt

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

	Rate	Weighted Average Rate	Maturity	2021	2020
Long-term debt of AWCC: (a)					
Senior notes—fixed rate	2.30%-8.27%	3.83%	2023-2051	$ 8,965	$ 8,191
Private activity bonds and government funded debt—fixed rate	0.60%-2.45%	1.63%	2023-2031	190	191
Long-term debt of other American Water subsidiaries:					
Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.70%	2022-2048	739	735
Mortgage bonds—fixed rate	6.35%-9.19%	7.36%	2023-2039	534	565
Mandatorily redeemable preferred stock	8.47%-9.75%	8.60%	2024-2036	4	5
Finance lease obligations	12.25%	12.25%	2026	1	1
Long-term debt				10,433	9,688
Unamortized debt (discount) premium, net (b)				(9)	(4)
Unamortized debt issuance costs				(23)	(22)
Less current portion of long-term debt				(57)	(329)
Total long-term debt				$ 10,344	$ 9,333

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

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

All mortgage bonds and $738 million of the private activity bonds and government funded debt held by the Company's subsidiaries were collateralized as of December 31, 2021.

Long-term debt indentures contain a number of covenants that, among other things, limit, subject to certain exceptions, AWCC from issuing debt secured by the Company's consolidated assets. Certain long-term notes require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2021 was 0.60 to 1.00. In addition, the Company has $859 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions, with a weighted average interest rate of 1.84%.

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

	Amount
2022	$ 57
2023	280
2024	474
2025	597
2026	441
Thereafter	8,584

Presented in the table below are the issuances of long-term debt in 2021:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	2.30%-3.25%	2.78%	2031-2051	$ 1,100
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.00%	0.04%	2022-2047	18
Total issuances					$ 1,118

The Company incurred debt issuance costs of $11 million related to the above issuances.

Presented in the table below are the retirements and redemptions of long-term debt in 2021 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-6.55%	5.94%	2021-2031	$ 327
Other American Water subsidiaries	Private activity mortgage bonds	9.13%-9.69%	9.52%	2021	31
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.38%	2021-2048	13
Other American Water subsidiaries	Mandatory redeemable preferred stock	8.49%-8.49%	8.49%	2022-2022	1
Total retirements and redemptions					$ 372

On May 10, 2021, AWCC completed a $1.1 billion debt offering which included the sale of $550 million aggregate principal amount of its 2.30% senior notes due 2031 and $550 million aggregate principal amount of its 3.25% senior notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of $1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay $251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and $76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately $14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of $15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

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

On May 6, 2021, the Company entered into two 10-year treasury lock agreements, with notional amounts of $125 million and $150 million, to reduce interest rate exposure on debt, which was subsequently issued on May 10, 2021. These treasury lock agreements had an average fixed rate of 1.58%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. On May 10, 2021, the Company terminated these two treasury lock agreements with an aggregate notional amount of $275 million, realizing a net gain of less than $1 million, to be amortized through interest, net over a 10-year period, in accordance with the terms of the $1.1 billion new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2021 and 2020.

Note 13: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. Additionally, proceeds from the aforementioned sales of HOS and the Company's New York subsidiary will be used primarily for capital investment in the Regulated Businesses. The revolving credit facility provides $2.25 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is March 21, 2025. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million. As of December 31, 2021, AWCC had no outstanding borrowings and $76 million of outstanding letters of credit under the revolving credit facility, with $1.59 billion available to fulfill the Company's short-term liquidity needs and to issue letters of credit. The Company regularly evaluates the capital markets and closely monitors the financial condition of the financial institutions with contractual commitments in its revolving credit facility. Interest rates on advances under the facility are based on a credit spread to the LIBOR

rate (or applicable market replacement rate) or base rate in accordance with Moody Investors Service's and Standard & Poor's Financial Services' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt.

On March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). As of December 31, 2020, $500 million of principal was outstanding under the Term Loan Facility. The Term Loan Facility commitments terminated at maturity on March 19, 2021, and the Term Loan Facility was repaid in full. Borrowings under the Term Loan Facility bore interest at a variable annual rate based on LIBOR, plus a margin of 0.80%.

Short-term debt consists of commercial paper and credit facility borrowings totaling $584 million and $786 million as of December 31, 2021 and 2020, respectively. The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 0.25%, for the year ended December 31, 2021. The weighted average interest rate on AWCC's outstanding short-term borrowings was 1.16%, for the year ended December 31, 2020, including $500 million of outstanding principal on the Term Loan Facility as of December 31, 2020. As of December 31, 2021 there were no commercial paper or credit facility borrowings outstanding with maturities greater than three months.

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

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

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

	2020		
(In millions)	**Commercial Paper Limit**	**Letters of Credit**	**Total (a)**
Total availability	$ 2,100	$ 150	$2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	$ 1,314	$ 74	$1,388

(a) Total remaining availability may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2021 and 2020, respectively:

(In millions)	**Cash and Cash Equivalents**	**Availability on Revolving Credit Facility**	**Total Available Liquidity**
Available liquidity as of December 31, 2021	$ 116	$ 1,590	$ 1,706
Available liquidity as of December 31, 2020	$ 547	$ 1,388	$ 1,935

Presented in the table below is the short-term borrowing activity for AWCC for the years ended December 31:

	2021	2020
Average borrowings	$ 910	$1,047
Maximum borrowings outstanding	1,647	2,172
Weighted average interest rates, computed on daily basis	0.25%	1.16%
Weighted average interest rates, as of December 31	0.20%	0.53%

The changes in average borrowings between periods were mainly attributable to the $500 million borrowed under the Term Loan Facility during 2020, which terminated and was repaid in full at maturity on March 19, 2021.

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2021 was 0.60 to 1.00.

None of the Company's borrowings are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under AWCC's revolving credit facility.

Note 14: General Taxes

Presented in the table below is the components of general tax expense for the years ended December 31:

	2021	2020	2019
Property and capital stock	$ 149	$ 140	$ 124
Gross receipts and franchise	121	116	110
Payroll	39	36	35
Other general	12	11	11
Total general taxes	$ 321	$ 303	$ 280

Note 15: Income Taxes

Presented in the table below is the components of income tax expense for the years ended December 31:

	2021	2020	2019
Current income taxes:			
State	$ 72	$ 8	$ 4
Federal	75	—	—
Total current income taxes	$ 147	$ 8	$ 4
Deferred income taxes:			
State	$ 10	$ 49	$ 54
Federal	221	159	155
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	230	207	208
Provision for income taxes	$ 377	$ 215	$ 212

Presented in the table below is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2021	2020	2019
Income tax at statutory rate	21.0%	21.0%	21.0%
Increases (decreases) resulting from:			
State taxes, net of federal taxes	3.9%	4.8%	5.4%
EADIT	(3.6)%	(2.1)%	(0.9)%
Tax impact due to the sale of HOS	1.6%	—%	—%
Other, net	0.1%	(0.4)%	(0.1)%
Effective tax rate	23.0%	23.3%	25.4%

Presented in the table below are the components of the net deferred tax liability as of December 31:

	2021	2020
Deferred tax assets:		
Advances and contributions	$ 439	$ 424
Tax losses and credits	10	65
Regulatory income tax assets	301	329
Pension and other postretirement benefits	50	100
Other	144	165
Total deferred tax assets	944	1,083
Valuation allowance	(10)	(19)
Total deferred tax assets, net of allowance	$ 934	$ 1,064
Deferred tax liabilities:		
Property, plant and equipment	$ 3,087	$ 2,913
Deferred pension and other postretirement benefits	69	97
Other	180	216
Total deferred tax liabilities	3,336	3,226
Less: Deferred tax liabilities included in liabilities related to assets held for sale (a)	—	69
Total deferred tax liabilities, net of deferred tax assets	$ (2,402)	$ (2,093)

(a) These deferred tax liabilities are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

The Company recognized no federal net operating loss ("NOL") carryforwards as of December 31, 2021 and $366 million as of December 31, 2020. The Company fully utilized its federal NOL carryforwards in 2021 due to the sale of HOS, and therefore, no valuation allowance is required.

As of December 31, 2021 and 2020, the Company had state NOLs of $123 million and $357 million, respectively, a portion of which are offset by a valuation allowance as the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards expire in 2021 through 2041.

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for years on or before 2012. The Company has state income tax examinations in progress and does not expect material adjustments to result.

Presented in the table below are the changes in gross liability, excluding interest and penalties, for unrecognized tax benefits:

	Amount
Balance as of January 1, 2020	$ 110
Increases in current period tax positions	18
Decreases in prior period measurement of tax positions	(6)
Balance as of December 31, 2020	$ 122
Increases in current period tax positions	23
Decreases in prior period measurement of tax positions	(5)
Balance as of December 31, 2021	$ 140

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. As discussed above, the Company utilized its remaining federal NOLs in 2021, and therefore this federal tax attribute will not be available to reduce the federal liabilities for uncertain tax positions or interest accrued as presented on the Company's Consolidated Financial Statements.

If the Company sustains all of its positions as of December 31, 2021, an unrecognized tax benefit of $10 million, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an insignificant amount of interest and penalties related to its tax positions as of December 31, 2021 and 2020.

Presented in the table below are the changes in the valuation allowance:

	Amount
Balance as of January 1, 2019	$ 14
Increases in current period tax positions	7
Balance as of December 31, 2019	$ 21
Decreases in current period tax positions	(2)
Balance as of December 31, 2020	$ 19
Decreases in current period tax positions	(9)
Balance as of December 31, 2021	$ 10

Note 16: Employee Benefits

Pension and Other Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001, except for specific eligible groups specified in the plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental nonqualified pension plans that provide additional retirement benefits to certain employees.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will

consider additional cash contributions and/or available prefunding balances if needed to avoid “at risk” status and benefit restrictions under the Pension Protection Act of 2006 (“PPA”). The Company may also consider increased contributions, based on other financial requirements and the plans’ funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 4—Regulatory Matters for additional information. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts (“REITs”).

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company’s policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed funds in the form of separate accounts, commingled funds and limited partnerships, including equities and fixed income securities.

The investment policy guideline of the pension plan is focused on diversification, improving returns and reducing the volatility of the funded status over a long-term horizon. The investment policy guidelines of the postretirement plans focus on the appropriate strategy given the funded status of the plans. None of the Company’s securities are included in pension or other postretirement benefit plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of 2018, the fair values and asset allocations of the pension plan assets include the American Water Pension Plan, the New York Water Service Corporation Pension Plan, and the Shorelands Water Company, Inc. Pension Plan.

As a result of the sale of the Company’s New York subsidiary, there will be a transfer of assets from two pension plans and two other postretirement benefit plans from the Company to Liberty. The Company does not expect the assets to be transferred to be a significant percentage of the Company’s overall pension and other postretirement benefit plans.

Presented in the tables below are the fair values and asset allocations of the pension plan assets as of December 31, 2021 and 2020, respectively, by asset category:

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2021
Cash		$ 54	$ 54	$ —	$ —	3%
Equity securities:	50%					
U.S. large cap		217	217	—	—	11%
U.S. small cap		113	113	—	—	6%
International		516	7	354	155	26%
Real estate fund		141	—	—	141	7%
REITs		9	—	9	—	—%
Fixed income securities:	50%					
U.S. Treasury securities and government bonds		256	249	7	—	13%
Corporate bonds		601	—	601	—	30%
Mortgage-backed securities		9	—	9	—	—%
Municipal bonds		25	—	25	—	1%
Treasury futures		—	—	—	—	—%
Long duration bond fund		10	7	3	—	1%
Guarantee annuity contracts		40	—	—	40	2%
Total	100%	$1,991	$ 647	$ 1,008	$ 336	100%

Asset Category	2021 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2020
Cash		$ 78	$ 78	$ —	$ —	4%
Equity securities:	50%					
U.S. large cap		420	420	—	—	21%
U.S. small cap		124	124	—	—	6%
International		367	8	169	190	18%
Real estate fund		120	—	—	120	6%
REITs		7	—	7	—	—%
Fixed income securities:	50%					
U.S. Treasury securities and government bonds		171	163	8	—	9%
Corporate bonds		594	—	594	—	30%
Mortgage-backed securities		9	—	9	—	—%
Municipal bonds		34	—	34	—	2%
Treasury futures		10	10	—	—	1%
Long duration bond fund		10	7	3	—	1%
Guarantee annuity contracts		46	—	—	46	2%
Total	100%	$1,990	$ 810	$ 824	$ 356	100%

Presented in the tables below are a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for 2021 and 2020, respectively:

	Level 3
Balance as of January 1, 2021	$ 356
Actual return on assets	41
Purchases, issuances and settlements, net	(61)
Balance as of December 31, 2021	$ 336

	Level 3
Balance as of January 1, 2020	$ 349
Actual return on assets	3
Purchases, issuances and settlements, net	4
Balance as of December 31, 2020	$ 356

The Company's postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns.

In 2018, the Company announced plan design changes to the medical bargaining benefit plan, which resulted in a cap on future benefits and an over funded postretirement medical benefits bargaining plan. As a result of the change in funded status, the Company decreased the investment risk in the plan and reduced its exposure to changes in interest rates by matching the assets of the plan to the projected cash flows for future benefit payments of the liability.

The Company engages third-party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g. fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to long duration fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process. For the postretirement medical bargaining plan, its asset structure is designed to meet the cash flows of the liabilities. This design reduces the plan's exposure to changes in interest rates.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary. Voluntary Employees' Beneficiary Association ("VEBA") Trust assets include the American Water Postretirement Medical Benefits Bargaining Plan, the New York Water Service Corporation Postretirement Medical Benefits Bargaining Plan, the American Water Postretirement Medical Benefits Non-Bargaining Plan, and the American Water Life Insurance Trust.

Presented in the tables below are the fair values and asset allocations of the postretirement benefit plan assets as of December 31, 2021 and 2020, respectively, by asset category:

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2021
Bargain VEBA:						
Cash		$ 10	$ 10	$ —	$ —	3%
Equity securities:	4%					
U.S. large cap		18	18	—	—	5%
International		1	1	—	—	—%
Fixed income securities:	96%					
U.S. Treasury securities and government bonds		363	279	84	—	91%
Long duration bond fund		5	5	—	—	1%
Total bargain VEBA	100%	$ 397	$ 313	$ 84	$ —	100%
Non-bargain VEBA:						
Cash		$ 2	$ 2	$ —	$ —	—
Equity securities:	60%					
U.S. large cap		54	54	—	—	39%
International		35	35	—	—	25%
Fixed income securities:	40%					
Core fixed income bond fund (a)		49	—	49	—	36%
Total non-bargain VEBA	100%	$ 140	$ 91	$ 49	$ —	100%
Life VEBA:						
Cash		$ 1	$ 1	$ —	$ —	100%
Equity securities:	70%					
U.S. large cap		—	—	—	—	—%
Fixed income securities:	30%					
Core fixed income bond fund (a)		—	—	—	—	—%
Total life VEBA	100%	$ 1	$ 1	$ —	$ —	100%
Total	100%	$ 538	$ 405	$ 133	$ —	100%

(a) Includes cash for margin requirements.

Asset Category	2021 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of 12/31/2020
Bargain VEBA:						
Cash		$ 12	$ 12	$ —	$ —	3%
Equity securities:	4%					
U.S. large cap		14	14	—	—	3%
Fixed income securities:	96%					
U.S. Treasury securities and government bonds		389	308	81	—	93%
Long duration bond fund		5	5	—	—	1%
Total bargain VEBA	100%	$ 420	$ 339	$ 81	$ —	100%
Non-bargain VEBA:						
Cash		$ 1	$ 1	$ —	$ —	—
Equity securities:	60%					
U.S. large cap		51	51	—	—	38%
International		33	33	—	—	24%
Fixed income securities:	40%					
Core fixed income bond fund (a)		50	—	50	—	38%
Total non-bargain VEBA	100%	$ 135	$ 85	$ 50	$ —	100%
Life VEBA:						
Equity securities:	70%					
U.S. large cap		$ —	$ —	$ —	$ —	—%
Fixed income securities:	30%					
Core fixed income bond fund (a)		1	1	—	—	100%
Total life VEBA	100%	$ 1	$ 1	$ —	$ —	100%
Total	100%	$ 556	$ 425	$ 131	$ —	100%

(a) Includes cash for margin requirements.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities—For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Certain equity securities are valued based on quoted prices in active markets and categorized as Level 1. Other equities, such as international securities held in the pension plan, are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since net asset value is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are categorized as Level 2. For limited partnerships, the assets as a whole are categorized as Level 3 due to the fact that the partnership provides the pricing and the pricing inputs are less readily observable. In addition, the limited partnership vehicle cannot be readily traded.

Fixed-income securities—The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. They are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Exchange-traded options and futures, for which market

quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1.

Real estate fund—Real estate fund is categorized as Level 3 as the fund uses significant unobservable inputs for fair value measurement and the vehicle is in the form of a limited partnership.

REITs—REITs are invested in commingled funds. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since the net asset value is not directly observable for the commingled funds, they are categorized as Level 2.

Guaranteed annuity contracts—Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily.

Presented in the table below is a rollforward of the changes in the benefit obligation and plan assets for the two most recent years, for all plans combined:

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Change in benefit obligation:				
Benefit obligation as of January 1,	$ 2,386	$ 2,161	$ 382	$ 374
Service cost	36	31	4	4
Interest cost	64	73	10	12
Plan participants' contributions	—	—	2	2
Plan amendments	—	—	—	5
Actuarial loss (gain)	(46)	233	(26)	13
Settlements (a)	(6)	(3)	—	—
Gross benefits paid	(140)	(109)	(31)	(29)
Federal subsidy	—	—	1	1
Benefit obligation as of December 31,	$ 2,294	$ 2,386	$ 342	$ 382
Change in plan assets:				
Fair value of plan assets as of January 1,	$ 1,990	$ 1,747	$ 556	$ 532
Actual return on plan assets	108	314	9	53
Employer contributions	39	41	1	(2)
Plan participants' contributions	—	—	2	2
Settlements (a)	(6)	(3)	—	—
Benefits paid	(140)	(109)	(30)	(29)
Fair value of plan assets as of December 31,	$ 1,991	$ 1,990	$ 538	$ 556
Funded value as of December 31,	$ (303)	$ (396)	$ 196	$ 174
Amounts recognized on the balance sheet:				
Noncurrent asset	$ —	$ —	$ 193	$ 173
Current liability	(2)	(2)	—	—
Noncurrent liability	(285)	(388)	(1)	(1)
(Liabilities) assets related to assets held for sale (b)	(16)	(6)	4	2
Net amount recognized	$ (303)	$ (396)	$ 196	$ 174

(a) The Company paid $6 million and $3 million of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan for the years ended December 31, 2021 and 2020, respectively.

(b) These balances are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale and liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Presented in the table below are the components of accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Net actuarial loss	$ 381	$ 436	$ 35	$ 49
Prior service credit	(14)	(16)	(186)	(217)
Net amount recognized	$ 367	$ 420	$ (151)	$ (168)
Regulatory assets (liabilities)	$ 317	$ 366	$ (151)	$ (168)
Accumulated other comprehensive income	50	54	—	—
Total	$ 367	$ 420	$ (151)	$ (168)

Presented in the tables below are the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with a projected obligation in excess of plan assets as of December 31, 2021 and 2020:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2021	2020
Projected benefit obligation	$ 2,294	$ 2,386
Fair value of plan assets	1,991	1,990

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2021	2020
Accumulated benefit obligation	$ 2,138	$ 2,188
Fair value of plan assets	1,991	1,990

The accumulated postretirement plan assets exceed benefit obligations for all of the Company's other postretirement benefit plans, except for the Northern Illinois Retiree Welfare Plan.

In 2006, the PPA replaced the funding requirements for defined benefit pension plans by requiring that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The PPA was effective for the 2008 plan year with short-term phase-in provisions for both the funding target and at-risk determination. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to or greater than the minimum required contributions or the normal cost in 2022 to the qualified pension plans. Contributions may be in the form of cash contributions as well as available prefunding balances.

Presented in the table below is information about the expected cash flows for the pension and postretirement benefit plans:

	Pension Benefits	Other Benefits
2022 expected employer contributions:		
To plan trusts	$ 38	$—
To plan participants	2	—

Presented in the table below are the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2022	$ 130	$ 26	$ 1
2023	133	25	1
2024	134	25	1
2025	137	25	1
2026	138	25	1
2027-2031	688	113	3

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

Presented in the table below are the significant assumptions related to the pension and other postretirement benefit plans:

	Pension Benefits			Other Benefits		
	2021	2020	2019	2021	2020	2019
Weighted average assumptions used to determine December 31 benefit obligations:						
Discount rate	2.94%	2.74%	3.44%	2.90%	2.56%	3.36%
Rate of compensation increase	3.51%	3.51%	2.97%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.00% in 2022 to 5.00% in 2026+	graded from 6.25% in 2021 to 5.00% in 2026+	graded from 6.50% in 2020 to 5.00% in 2026+
Weighted average assumptions used to determine net periodic cost:						
Discount rate	2.74%	3.44%	4.38%	2.56%	3.36%	4.32%
Expected return on plan assets	6.50%	6.50%	6.20%	3.67%	3.68%	3.56%
Rate of compensation increase	3.51%	2.97%	3.00%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.25% in 2021 to 5.00% in 2026+	graded from 6.50% in 2020 to 5.00% in 2026+	graded from 6.75% in 2019 to 5.00% in 2026+

NOTE “N/A” in the table above means assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans’ expected cash flows by matching the plans’ cash flows to the coupons and expected maturity values of individually selected bonds. Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans’ investment portfolios. Assumed projected rates of return for each of the plans’ projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns. The Company’s pension expense increases as the expected return on assets decreases. The Company used an expected return on plan assets of 6.50% to estimate its 2021 pension benefit costs, and an expected blended return based on weighted assets of 3.67% to estimate its 2021 other postretirement benefit costs.

The Company had previously adopted a mortality table based on the Society of Actuaries RP 2014 mortality table including a generational MP-2018 projection scale. In 2020, the Company adopted the Pri-2012 base mortality table and the new MP-2020 mortality improvement scale to replace the previous assumption. In 2021,

the Company utilized the Pri-2012 base mortality table and the new MP-2021 mortality improvement scale to replace the previous assumption.

Presented in the table below are the components of net periodic benefit costs for the years ended December 31:

	2021	2020	2019
Components of net periodic pension benefit cost:			
Service cost	$ 36	$ 31	$ 28
Interest cost	64	73	82
Expected return on plan assets	(126)	(111)	(91)
Amortization of prior service (credit) cost	(3)	(3)	(3)
Amortization of actuarial loss	27	30	32
Settlements (a)	—	1	—
Net periodic pension benefit cost	$ (2)	$ 21	$ 48
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial loss (gain)	$ 1	$ 12	$ (8)
Amortization of actuarial loss	(4)	(3)	(4)
Total recognized in other comprehensive income	(3)	9	(12)
Total recognized in net periodic benefit cost and other comprehensive income	$ (5)	$ 30	$ 36
Components of net periodic other postretirement benefit (credit) cost:			
Service cost	$ 4	$ 4	$ 4
Interest cost	10	12	15
Expected return on plan assets	(21)	(19)	(18)
Amortization of prior service credit	(32)	(34)	(35)
Amortization of actuarial loss	—	2	3
Net periodic other postretirement benefit (credit) cost	$ (39)	$ (35)	$(31)

(a) Due to the amount of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan, settlement charges of less than $1 million were recorded for both years ended December 31, 2021 and 2020. In accordance with existing regulatory accounting treatment, the Company has maintained the settlement charges in regulatory assets on the Consolidated Balance Sheets. The amount is being amortized in accordance with existing regulatory practice.

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

Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service of the current active membership for the plans.

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company's 401(k) savings plan expenses totaled $14 million, $12 million and $12 million for 2021, 2020 and 2019, respectively. Additionally, the Company's 5.25% of base pay defined contribution benefit expenses totaled

$16 million, $15 million and $13 million for 2021, 2020 and 2019, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 17: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to $626 million as of December 31, 2021.

In December 2021, the Company authorized the contribution of $45 million to the American Water Charitable Foundation, which was subsequently paid in January 2022.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Presented in the table below are the future annual commitments related to minimum quantities of purchased water having non-cancelable contracts:

	Amount
2022	$ 71
2023	65
2024	51
2025	49
2026	49
Thereafter	507

The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. See Note 5—Revenue Recognition for additional information regarding the Company's performance obligations.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2021, the Company has accrued approximately $7 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $2 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 17—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, the Company's West Virginia subsidiary ("WVAWC") and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the $126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is $19 million. As of December 31, 2021, $0.5 million of the aggregate Settlement amount of $126 million has been reflected in accrued liabilities, and $0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets.

The amount reflected in accrued liabilities as of December 31, 2021 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund's appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys' fees and claims administration costs. The Company funded WVAWC's contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

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

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. On January 28, 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 16, 2021, oral argument was heard by the Circuit Court on the issue of addressing the Supreme Court of Appeals' remand. This matter remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

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

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. The court has entered an agreed scheduling order, which sets a hearing in October 2022 to address the question of class certification.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the 2016 Order") approving a deadline of December 31, 2021 for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the 2009 Order and the 2016 Order.

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

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am has incurred $186 million in aggregate costs as of December 31, 2021 related to the Water Supply Project, which includes $47 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and on November 29, 2021, Cal Am filed an application with the CPUC seeking review and approval of the amended and restated water purchase agreement. Cal Am is also requesting rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This amount is in addition to, and consistent in regulatory treatment with, the prior $50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the "Coastal Commission"), as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. Cal Am responded with the requested additional information on January 11, 2022, and on February 8, 2022, the Coastal Commission requested additional information. The original jurisdiction application remains pending.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirements contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 18: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations for the years ended December 31:

	2021	2020	2019
Numerator:			
Net income attributable to common shareholders	$ 1,263	$ 709	$ 621
Denominator:			
Weighted average common shares outstanding—Basic	182	181	181
Effect of dilutive common stock equivalents	—	1	—
Weighted average common shares outstanding—Diluted	182	182	181

The effect of dilutive common stock equivalents is related to outstanding stock options, RSUs and PSUs granted under the Company's 2007 Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Plan, as well as estimated shares to be purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2021, 2020 and 2019, because their effect would have been anti-dilutive under the treasury stock method.

Note 19: Fair Value of Financial Information

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note from the sale of HOS approximates fair value.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of December 31, 2021				
	Carrying Amount	At Fair Value			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 4	$ —	$ —	$ 6	$ 6
Long-term debt (excluding finance lease obligations)	10,396	10,121	60	1,637	11,818

	As of December 31, 2020				
	Carrying Amount	At Fair Value			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 5	$ —	$ —	$ 7	$ 7
Long-term debt (excluding finance lease obligations)	9,656	9,639	415	1,753	11,807

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

Level 3—Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 21	$ —	$ —	$ 21
Rabbi trust investments	23	—	—	23
Deposits	27	—	—	27
Other investments	17	—	—	17
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	88	—	72	160
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total assets	$ 61	$ —	$ 72	$ 133

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 29	$ —	$ —	$ 29
Rabbi trust investments	19	—	—	19
Deposits	4	—	—	4
Other investments	11	—	—	11
Total assets	63	—	—	63
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	$ 39	$ —	$ —	$ 39

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities — The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no significant mark-to-market derivatives outstanding as of December 31, 2021.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Contingent cash payment from the sale of HOS — The Company's contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other long-term assets on the Consolidated Balance Sheets. The fair value of the contingent cash payment is estimated using the probability of the outcome of receipt of the $75 million, a Level 3 input.

Note 20: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 38 years, five years, and five years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $146 million and $147 million as of December 31, 2021 and 2020, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $4 million in 2022 through 2026, and $48 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were $13 million, $14 million and $16 million for the years ended December 31, 2021, 2020 and 2019, respectively.

For the year ended December 31, 2021, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, was $13 million. For the year ended December 31, 2021, ROU assets obtained in exchange for new operating lease liabilities was $11 million.

As of December 31, 2021, the weighted-average remaining lease term of the finance lease and operating leases were four years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at December 31, 2021 are $12 million in 2022, $9 million in 2023, $9 million in 2024, $8 million in 2025, $7 million in 2026 and $89 million thereafter. At December 31, 2021 imputed interest was $45 million.

Note 21: Segment Information

The Company's operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses.

The Regulated Businesses segment is the largest component of the Company's business and includes subsidiaries that provide water and wastewater services to customers in 14 states.

The Company's primary Market-Based Businesses include MSG, which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations, and the Company's former HOS business, which was sold in the fourth quarter of 2021, and previously provided various warranty protection programs and other home services to residential customers.

The accounting policies of the segments are the same as those described in Note 2—Significant Accounting Policies. The Regulated Businesses segment and Market-Based Businesses include intercompany costs that are allocated by Service Company and intercompany interest that is charged by AWCC, both of which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues include the sale of water from a regulated subsidiary to market-based subsidiaries, leased office space, and furniture and equipment provided by the market-based subsidiaries to regulated subsidiaries. "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments, and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information as of and for the years ended December 31:

	2021			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 3,384	$ 563	$ (17)	$ 3,930
Depreciation and amortization	601	22	13	636
Total operating expenses, net	2,227	510	(3)	2,734
Interest expense	(290)	(7)	(106)	(403)
Interest income	1	3	—	4
Gain or (loss) on sale of businesses	(1)	748	—	747
Income before income taxes	962	798	(120)	1,640
Provision for income taxes	172	248	(43)	377
Net income attributable to common shareholders	789	550	(76)	1,263
Total assets	23,365	514	2,196	26,075
Cash paid for capital expenditures	1,747	8	9	1,764

	2020			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 3,255	$ 540	$ (18)	$ 3,777
Depreciation and amortization	562	26	16	604
Total operating expenses, net	2,102	421	6	2,529
Interest expense	(293)	(7)	(97)	(397)
Interest income	2	8	(8)	2
Income before income taxes	932	120	(128)	924
Provision for income taxes	217	29	(31)	215
Net income attributable to common shareholders	715	91	(97)	709
Total assets	22,357	891	1,518	24,766
Cash paid for capital expenditures	1,804	10	8	1,822

	2019			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 3,094	$ 539	$ (23)	$ 3,610
Depreciation and amortization	529	37	16	582
Total operating expenses, net	1,964	436	(4)	2,396
Interest expense	(299)	(8)	(79)	(386)
Interest income	4	13	(13)	4
Income before income taxes	869	66	(102)	833
Provision for income taxes	215	20	(23)	212
Net income attributable to common shareholders	654	46	(79)	621
Total assets	20,318	1,008	1,356	22,682
Cash paid for capital expenditures	1,627	13	14	1,654

Note 22: Unaudited Quarterly Data

Presented in the tables below are supplemental, unaudited, consolidated, quarterly financial data for each of the four quarters in the years ended December 31, 2021 and 2020, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2021			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 888	$ 999	$1,092	$ 951
Operating income	229	330	417	220
Net income attributable to common shareholders	133	207	278	645
Basic earnings per share: (a)				
Net income attributable to common shareholders	$0.73	$1.14	$ 1.53	$3.55
Diluted earnings per share:				
Net income attributable to common shareholders	0.73	1.14	1.53	3.55

(a) Amounts may not sum due to rounding.

	2020			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 844	$ 931	$1,079	$ 923
Operating income	239	313	433	263
Net income attributable to common shareholders	124	176	264	145
Basic earnings per share: (a)				
Net income attributable to common shareholders	$0.69	$0.97	$ 1.46	$0.80
Diluted earnings per share:				
Net income attributable to common shareholders	0.68	0.97	1.46	0.80

(a) Amounts may not sum due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Company's President, Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, the Company's President, Chief Executive Officer and Chief Financial Officer has concluded that, as of December 31, 2021, the Company's disclosure controls and procedures were effective at a reasonable level of assurance. The Company's disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's President, Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's President, Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect its transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of its management and its directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

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

The Company's management, including the Company's President, Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of its internal control over financial reporting, as of December 31, 2021, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the Company's evaluation under the framework in *Internal Control—Integrated Framework (2013)*, its management concluded that its internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during its last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not set forth below or in Item 1—Business—Executive Officers of this Annual Report on Form 10-K, is incorporated by reference from the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Board of Directors and Corporate Governance," "Proposal 1—Election of Directors" and "Certain Beneficial Ownership Matters—Delinquent Section 16(a) Reports."

The Company has adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on the Company's website at *https://amwater.com*. The Company intends to post on its website any amendments to the Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders, under the captions entitled "Proposal 1—Election of Directors—Director Compensation Table," "Compensation Discussion and Analysis," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders, under the captions entitled "Certain Beneficial Ownership Matters—Security Ownership of Management," "Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders, under the caption entitled "Board of Directors and Corporate Governance—Board Review of Related Person Transactions" and "Proposal 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders, under the caption entitled "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Fees Paid to Independent Registered Public Accounting Firm" and "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Pre-Approval of Services Provided by Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents have been filed as a part of this Annual Report on Form 10-K:

1. The financial statements listed in the "Index to Consolidated Financial Statements" contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).
2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.
3. Exhibits. The list of documents contained in "Exhibit Index" below is provided in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company's or its subsidiaries' securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1.1#	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among American Water Works Company, Inc., Liberty Utilities (Eastern Water Holdings) Corp. and New York American Water Company, Inc., with respect to the Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
2.2#	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, American (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Works Company, Inc. and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
4.1	Indenture, dated as of October 22, 2007, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.4	Officers' Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.5	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.6	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.7	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).

Exhibit Number	Exhibit Description
4.8	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.9	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.10	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.11	Officers' Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.12	Officers' Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.13	Officer's Certificate, dated August 9, 2018, establishing the 3.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.14	Officer's Certificate, dated August 9, 2018, establishing the 4.200% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.15	Officers' Certificate, dated May 13, 2019, establishing the 3.450% Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.16	Officers' Certificate, dated May 13, 2019, establishing 4.150% Senior Notes due 2049 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.17	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 2.800% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.18	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 3.450% Senior Notes due 2050 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.19	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.20	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.21	Description of American Water Works Company, Inc.'s Equity Securities (filed herewith).

Exhibit Number	Exhibit Description
4.22	Note Purchase Agreement, dated May 15, 2008, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 19, 2008) with respect to the 6.55% Series H Senior Notes due May 15, 2023.
10.1.1	Second Amended and Restated Credit Agreement, dated as of March 21, 2018, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on March 21, 2018).
10.1.2	Extension Agreement, dated as of April 9, 2019, among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.17.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.1.3	Extension Agreement, dated as of April 1, 2020, among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed on May 6, 2020).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Offer Letter for Employment, dated as of February 2, 2022, between American Water Works Company, Inc. and M. Susan Hardwick (filed herewith).
10.4*	Offer Letter for Employment, dated August 5, 2020, between American Water Works Company, Inc. and Adam Noble (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 4, 2020).
10.5*	Offer Letter for Employment, dated February 16, 2021, between American Water Works Company, Inc. and Cheryl Norton (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.6*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.7*	Separation Agreement and General Release, dated as of February 2, 2022, between American Water Works Service Company, Inc. and Walter J. Lynch (filed herewith).
10.8*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).

Exhibit Number	Exhibit Description
10.9.1*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of June 1, 2018 (incorporated by reference to Exhibit 10.9.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 19, 2019).
10.9.2*	Amendment No. 2019-1 to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as amended and restated, effective as of November 1, 2019 (incorporated by reference to Exhibit 4.1.2 to American Water Works Company, Inc.'s Registration Statement on Form S-8, File No. 333-235598, filed December 19. 2019).
10.10*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.11.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.11.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.12*	Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 31, 2018).
10.13.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.13.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.13.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.13.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.5*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.13.6*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.3.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).

Exhibit Number	Exhibit Description
10.13.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.8*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.2.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.9*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.13.10*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.13.11*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.14.1*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.14.2*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.3*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.14.4*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant.(incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.5*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.6*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant dated February 11, 2020 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.7*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant dated August 31, 2020 (for Adam Noble) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 4, 2020).

Exhibit Number	Exhibit Description
10.14.8*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.9*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.10*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.11*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.12*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.13*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.14*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.15*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.14.16*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form B-1 (corrected) (incorporated by reference to Exhibit 10.14.33 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.14.17*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.18*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).

Exhibit Number	Exhibit Description
10.14.19*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.10 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.20*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.21*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.14 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.22*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.15 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.23*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.24*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-2 (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.25*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.26*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.27*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-2 (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.10 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.28*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.29*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).

Exhibit Number	Exhibit Description
10.14.30*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 1, 2018).
10.14.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2020).
10.14.32*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.15*	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.16*	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.17.1*	American Water Works Company, Inc. Pension Plan for Employees (as amended and restated effective January 1, 2016), dated January 24, 2017 (incorporated by reference to Exhibit 10.16.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.17.2*	American Water Works Company, Inc. Amendment Two to the Pension Plan for Employees (as amended and restated effective January 1, 2016), dated December 19, 2018 (incorporated by reference to Exhibit 10.16.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.17.3*	American Water Works Company, Inc. Amendment Three to the Pension Plan for Employees (as amended and restated effective January 1, 2016), dated August 2, 2021 (filed herewith).
10.17.4*	American Water Works Company, Inc. Amendment 2021-1 to the Pension Plan for Employees (as amended and restated effective January 1, 2016), dated January 20, 2022 (filed herewith).
10.18#	Secured Seller Note Agreement, dated December 9, 2021, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
10.19	Revenue Share Agreement, dated December 9, 2021, by and among American Water Works Company, Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC and American Water Resources Holdings, LLC (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
22.1	Guaranteed Securities (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).

Exhibit Number	Exhibit Description
32.1	Certification of M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
101.INS	XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

The Stock Purchase Agreement filed as Exhibit 2.1.1, the Membership Interest Purchase Agreement filed as Exhibit 2.2, and the Secured Seller Note Agreement filed as Exhibit 10.18 to this Annual Report on Form 10-K have been included to provide investors and security holders with information regarding the terms of the respective agreements. The filing of these agreements is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the respective agreements (i) were made by the parties thereto only for purposes of that respective agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the respective agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the respective agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the respective agreements instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties to the respective agreements that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties to the respective agreements thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the respective agreements may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The respective agreements should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 16th day of February, 2022.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President, Chief Executive Officer and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 16th day of February, 2022, by the following persons in the capacities indicated.

/s/ M. SUSAN HARDWICK

M. Susan Hardwick
President, Chief Executive Officer and
Chief Financial Officer
(Principal Executive Officer, Principal Financial Officer and Director)

/s/ JEFFREY N. EDWARDS

Jeffrey N. Edwards
(Director)

/s/ MELISSA K. WIKLE

Melissa K. Wikle
Chief Accounting Officer
(Principal Accounting Officer)

/s/ MARTHA CLARK GOSS

Martha Clark Goss
(Director)

/s/ VERONICA M. HAGEN

Veronica M. Hagen
(Director)

/s/ KIMBERLY J. HARRIS

Kimberly J. Harris
(Director)

/s/ JULIA L. JOHNSON

Julia L. Johnson
(Director)

/s/ PATRICIA L. KAMPLING

Patricia L. Kampling
(Director)

/s/ KARL F. KURZ

Karl F. Kurz
(Chairman of the Board)

/s/ GEORGE MACKENZIE

George MacKenzie
(Director)

/s/ JAMES G. STAVRIDIS

James G. Stavridis
(Director)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-253484 and 333-229994) and Form S-8 (Nos. 333-235598, 333-219682, 333-217975, 333-168543 and 333-150381) of American Water Works Company, Inc. of our report dated February 16, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 16, 2022

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE AND PRINCIPAL FINANCIAL OFFICER

I, M. Susan Hardwick certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am the registrant's sole certifying officer, and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. As the registrant's sole certifying officer, I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President, Chief Executive Officer and
Chief Financial Officer
(Principal Executive Officer and Principal
Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President, Chief Executive Officer and
Chief Financial Officer
(Principal Executive Officer and Principal
Financial Officer)
February 16, 2022

amwater.com

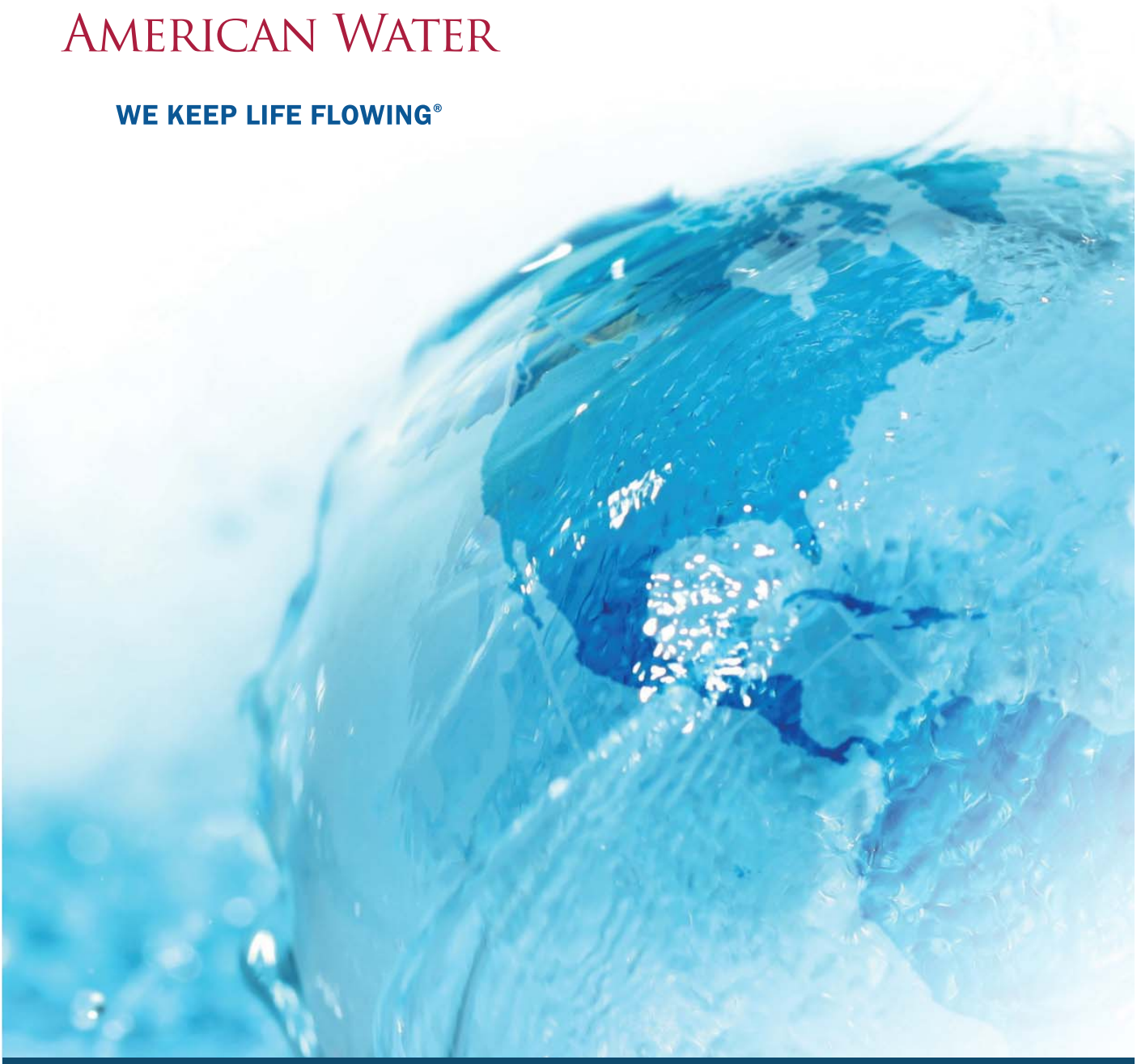
1 Water Street
Camden, NJ 08102-1658

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AMERICAN WATER

WE KEEP LIFE FLOWING®



2022 Annual Report





TO OUR SHAREHOLDERS,

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

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

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

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

Sincerely,

KARL F. KURZ
Board Chair

5-YEAR TOTAL SHAREHOLDER RETURN

82%
RETURN





DEAR FELLOW SHAREHOLDERS,

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

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

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

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



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

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

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

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

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

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

Sincerely,



M. SUSAN HARDWICK
President and Chief Executive Officer





COMPANY INFORMATION

AUDIT FIRM AND TRANSFER AGENT

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

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

BOARD OF DIRECTORS

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

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

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

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

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

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

Julia L. Johnson
Director
President, Net Communications, LLC

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

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

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

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

*Not standing for re-election in 2023.

INQUIRIES

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

SHAREHOLDER INFORMATION

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

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

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

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

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

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

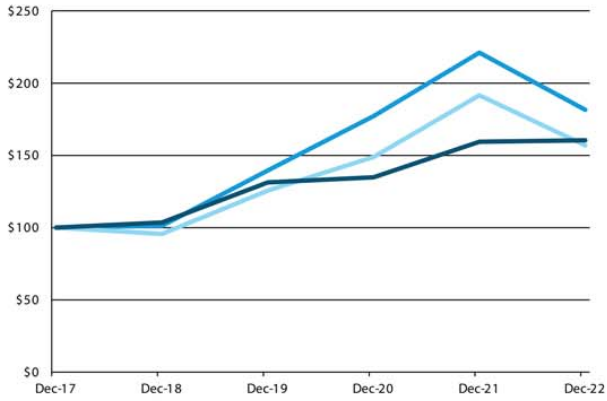
Dividends
Dividends paid on the company's common stock in 2022 were:

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

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

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

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



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

Source of data: FactSet.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022

OR

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

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

AMERICAN WATER WORKS COMPANY, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

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FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

PART I

ITEM 1. BUSINESS

The Company

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

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

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

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

Regulated Businesses

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

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

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

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

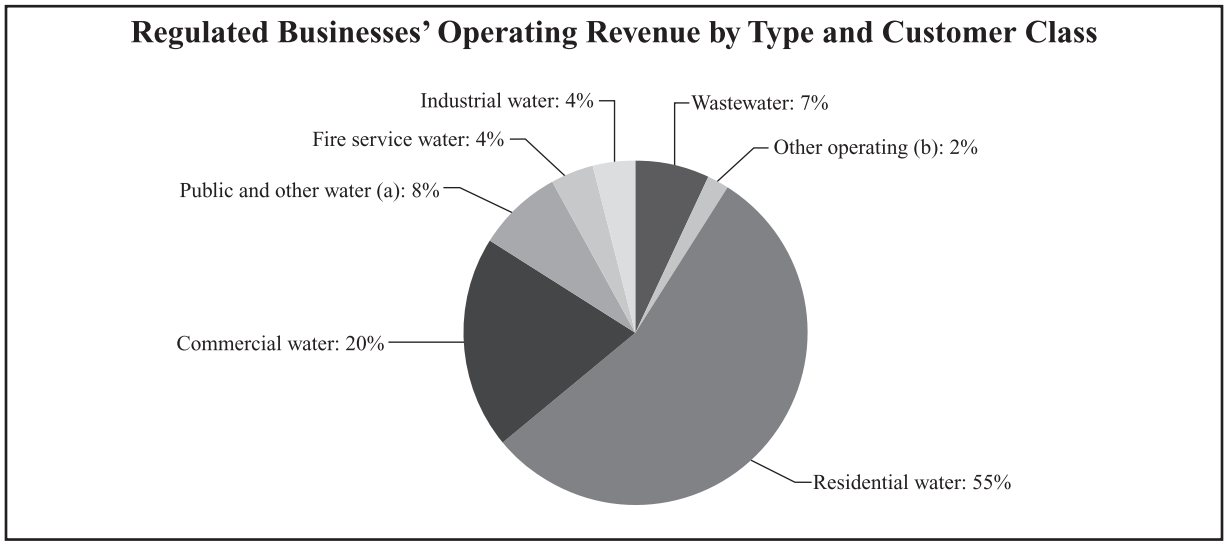
Customers

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

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

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

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



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

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

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

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

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

Capital Investment

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

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

Regulation and Rate Making

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

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

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

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

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

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

Acquisitions and Strategic Growth

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

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

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

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

Sale of New York American Water Company, Inc.

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

Industry Legislation

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

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

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

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

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

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

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

Competition

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

Condemnation and Eminent Domain

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

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

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

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

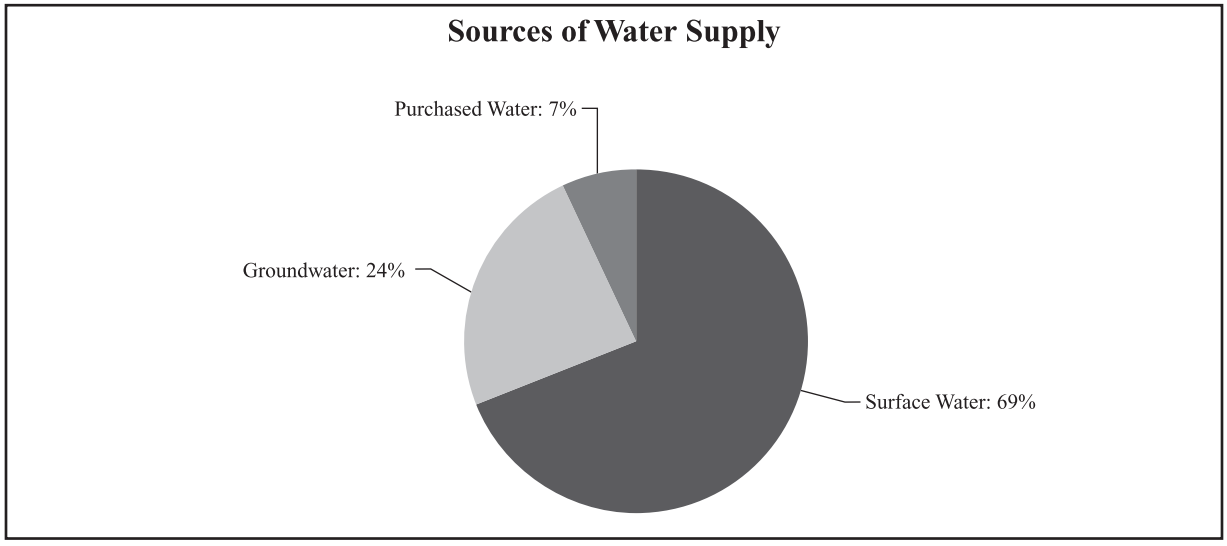
Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. During a valuation trial held in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

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

Water Supply and Wastewater Services

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

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



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

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

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

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

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

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

Seasonality

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

Other

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

Military Services Group

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

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

Sale of Homeowner Services Group

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

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

Competition

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

Environmental, Health and Safety, Water Quality and Other Regulation

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

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

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

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

Safe Drinking Water Act

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

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

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

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

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

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

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

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

Clean Water Act

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

Research and Development

The Company's Research and Development Program

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

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

Contaminants of Emerging Concern

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

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

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

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

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

Service Company and Security

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

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

Environmental, Social Responsibility and Governance

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

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

Key Highlights

Demonstrated ESG Leadership

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

Environmental and Sustainability

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

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

- The Company invested approximately $2.3 billion in renewing and improving assets of the Regulated Businesses in 2022 and expects to invest between $12.5 billion to $13 billion over the next five years. Nearly 70% of the Company's capital plan is dedicated to infrastructure renewal and improvement, 10% to 12% is allocated to resiliency, and the balance is invested in water quality, operational efficiency, system expansion and other categories.

- Policy Leadership
  - The Company collaborates and partners with federal and state agencies to support effective environmental, health and safety, and water quality and affordability standards and regulations.
  - The Company participates in many industry organizations at the local, state and national level, including: The National Association of Water Companies (NAWC), American Water Works Association (AWWA) and Edison Electric Institute (EEI).

Social Responsibility

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

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

Governance

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

Human Capital Resources

Overview

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

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

Employee Health and Safety

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

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

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

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

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

Employee and Workplace Reintegration

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

Inclusion, Diversity and Equity

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

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

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

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

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

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

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

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

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

Total Rewards

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

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

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

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

Talent Development

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

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

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

Employee Experience

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

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

Workforce Data

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

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

Board Oversight

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

Information About Our Executive Officers

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

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

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

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

Available Information

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

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

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

ITEM 1A. RISK FACTORS

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

Risks Related to Our Industry and Business Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may be subject to physical and cyber attacks.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial, Economic and Market-Related Risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additional Risks Related to Other Businesses

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

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

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

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

General Risk Factors

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

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

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

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

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

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

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

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

ITEM 3. LEGAL PROCEEDINGS

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

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with SWRCB Orders to Reduce Carmel River Diversions

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

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

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

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

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

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

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

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

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

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

Coastal Development Permit Application

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

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

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

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

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

Desalination Plant Development Permit

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

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

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

Proposed Zoning Changes at CEMEX Site for Slant Wells

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

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

Test Slant Well Permitting

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

Water Supply Project Land Acquisition and Slant Well Site Use

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

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

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

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

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

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

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

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

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

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

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

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

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

West Virginia Elk River Freedom Industries Chemical Spill

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

Dunbar, West Virginia Water Main Break Class Action Litigation

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

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

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

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

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

Chattanooga, Tennessee Class Action Litigation

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

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

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

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

Other Matters

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

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

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

General

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

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

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

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

ITEM 6. [RESERVED]

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

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

Overview

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

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

Selected Financial Data

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

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

Financial Results

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

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

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

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

Regulated Businesses Growth and Optimization

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

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

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

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

Sale of Homeowner Services Group

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

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

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

Sale of New York American Water Company, Inc.

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

Sale of Michigan American Water Company

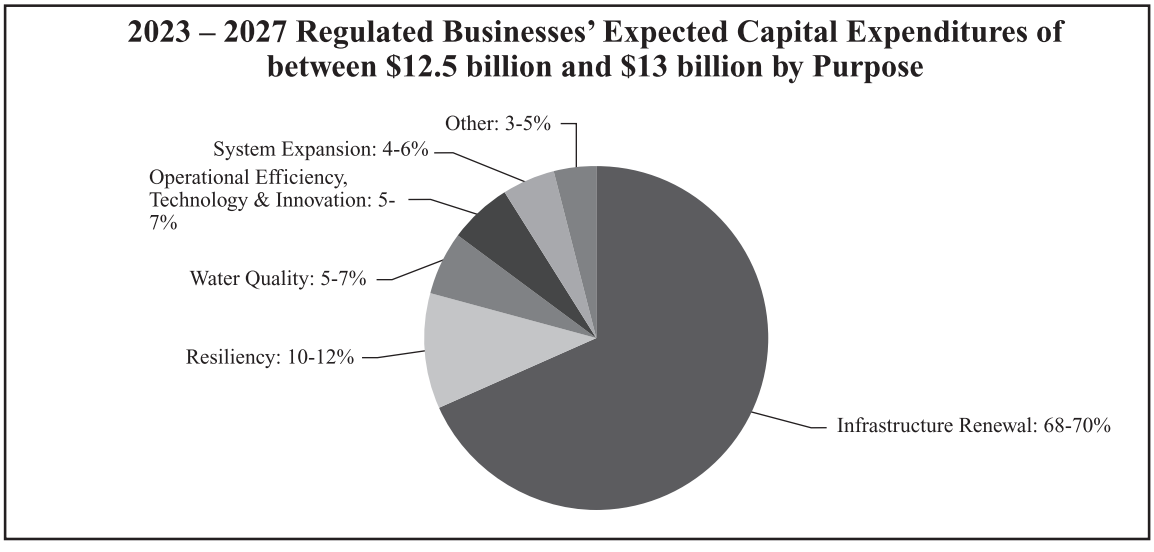
On February 4, 2022, the Company completed the sale of its operations in Michigan for $6 million in cash.

Future Growth

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

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

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



Other Matters

Military Services Group

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

Permanganate Supply Disruption

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

Operational Excellence

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

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

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

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

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

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

Regulatory Matters

General Rate Cases

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

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

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

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

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

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

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

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

Pending General Rate Case Filings

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

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

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

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

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

Infrastructure Surcharges

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

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

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

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

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

Pending Infrastructure Surcharge Filings

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

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

Other Regulatory Matters

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

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

Consolidated Results of Operations

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

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

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

Segment Results of Operations

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

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

Regulated Businesses Segment

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

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

Operating Revenues

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

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

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

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

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

Operation and Maintenance

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

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

Employee-Related Costs

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

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

Production Costs

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

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

Customer Billing and Accounting

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

Other

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

Depreciation and Amortization

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

General Taxes

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

Other Income (Expense)

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

Provision for Income Taxes

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

Other

Presented in the table below is information for Other:

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

Operating Revenues

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

Operation and Maintenance

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

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

Operating Supplies and Services

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

Maintenance Materials and Supplies

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

Employee-Related Costs

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

Depreciation and Amortization

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

Gain on Sale of Businesses

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

Provision for Income Taxes

In 2022, as compared to 2021, provision for income taxes decreased $205 million primarily due to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Tax Matters

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (the "IRA"). The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To

determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to AFSI when determining CAMT under the new law. Initial guidance regarding the application of the CAMT was issued on December 27, 2022, and additional guidance is forthcoming. The Company is continuing to assess the impact of the initial guidance and will continue to monitor as additional guidance is released.

On July 8, 2022, Pennsylvania Governor Tom Wolf signed into law Act 53 of 2022, which reduces the Pennsylvania State Income Tax Rate in yearly increments starting January 1, 2023, with an initial rate of 8.99% and ending effective January 1, 2031, with a rate of 4.99%. Under Accounting Standards Codification Topic 740, Income Taxes ("ASC 740"), the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. As such, the Company's accumulated deferred income tax ("ADIT") balances for its Pennsylvania subsidiary were remeasured during the quarter ended September 30, 2022, to estimate the impacts of the recently enacted tax rate. The remeasurement reduced the ADIT liability by $159 million as of December 31, 2022 and created a corresponding regulatory liability since the EADIT is expected to be returned to customers in a future rate case. However, since the rate is declining in yearly increments, the total EADIT will be subject to change.

On September 27, 2022, Iowa's Department of Revenue announced a reduction in the state's top corporate rate from 9.8% to 8.4% effective January 1, 2023. As such, the Company's ADIT balances for its Iowa subsidiary were remeasured during the quarter ended September 30, 2022, to estimate the impacts of the recently enacted tax rate. The remeasurement reduced the ADIT liability by $2 million as of December 31, 2022 and created a corresponding regulatory liability since the EADIT is expected to be returned to customers in a future rate case.

Federal Net Operating Loss

The Company had no federal NOL carryover balance as of December 31, 2021.

Legislative Updates

During 2022, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of February 15, 2023:

- Indiana passed Senate Enrolled Act 272, which requires public reporting of a non-jurisdictional utility's asset management programs. Non-jurisdictional utilities are exempt from the jurisdiction of the Indiana Utility Regulatory Commission (the "IURC"). The legislation also creates a water and wastewater research and extension program at a state university to serve as a repository for data collected from utilities. Additionally, the legislation establishes oversight and a receivership program in the IURC for non-jurisdictional utilities with violations that create environmental or human health and safety issues. Legislation was signed by the Governor on March 7, 2022, and became effective on July 1, 2022.
- Indiana passed water and wastewater utility asset financing legislation, Senate Enrolled Act 273, which authorizes the recovery of property tax in Distribution System Improvement Charge filings. The legislation also permits the IURC to allow recovery through tracking mechanisms for changes in property tax and for costs attributable to referenda or action by elected or appointed individuals. Legislation was signed by the Governor on March 10, 2022, and became effective on July 1, 2022.
- Virginia passed Senate Bill 500 and House Bill 182, which requires the Virginia State Corporation Commission, in any future ratemaking proceeding for an investor-owned water/wastewater utility, to evaluate the utility on a stand-alone basis and utilize the utility's actual end-of-test period capital

structure and cost of capital without regard to the cost of capital, capital structure, or investments of any other entities with which the utility may be affiliated. Legislation was signed by the Governor on April 11, 2022, and became effective on July 1, 2022.

- Illinois passed House Bill 900/Public Act 102-0698, which contains appropriations to the Department of Commerce and Economic Opportunity of $3 million for the purposes of the Water and Sewer Finance Assistance Act (H.B. 414/Public Act 102-0262) and $55 million for the purposes of the federal Low-Income Household Water Assistance Program (LIHWAP). Legislation was signed by the Governor on April 19, 2022, with these provisions of the bill taking effect on July 1, 2022.
- Tennessee passed Senate Bill 2282 and House Bill 2346, which requires all utilities to implement a cyber security plan and update it every two years to provide for the protection of the utility's facilities from unauthorized use, alteration, ransom, or destruction of electronic data. The relevant regulatory body will verify if a utility has complied or impose reasonable sanctions if out of compliance. Utility compliance will be required by July 1, 2023. Legislation was signed by the Governor on June 1, 2022, and became effective immediately.
- The Missouri General Assembly passed state and local property tax tracker legislation, Senate Bill 745, which requires a utility to defer to a regulatory asset or liability account any difference in what was actually paid in state or local property taxes and what was used to set the revenue requirement in the utility's most recently completed general rate case. Legislation was signed by the Governor on June 29, 2022, and became effective on August 28, 2022.
- California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022 and became effective on January 1, 2023.

Liquidity and Capital Resources

The Company uses its capital resources, including cash, primarily to (i) fund operating and capital requirements, (ii) pay interest and meet debt maturities, (iii) pay dividends, (iv) fund acquisitions, (v) fund pension and postretirement benefit obligations, and (vi) to pay federal income taxes. The Company invests a significant amount of cash on regulated capital projects where it expects to earn a long-term return on investment. Additionally, the Company operates in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—Regulation and Rate Making for additional information. The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of a seller promissory note, plus interest, and a contingent cash payment payable upon satisfaction of certain conditions on or before December 31, 2023. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company regularly evaluates and monitors its cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. The Company's business is capital intensive, with a majority of this capital funded by cash flows from operations. The Company also obtains funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings, and may also access the equity capital markets as needed or desired to support capital funding requirements. In order to

meet short-term liquidity needs, American Water Capital Corp. (“AWCC”), the wholly owned finance subsidiary of parent company, issues commercial paper that is supported by its revolving credit facility. The Company’s access to external financing on reasonable terms may depend on, as appropriate, any or all of the following: current business conditions, including that of the utility and water utility industry in general; conditions in the debt or equity capital markets; the Company’s credit ratings; and conditions in the national and international economic and geopolitical arenas. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit the Company’s ability to issue debt and equity securities in the capital markets.

If these unfavorable business, market, financial and other conditions deteriorate to the extent that the Company is no longer able to access the commercial paper and/or capital markets on reasonable terms, AWCC has access to an unsecured revolving credit facility. AWCC’s revolving credit facility is used principally to support its commercial paper program, to provide additional liquidity support, and to provide a sublimit for the issuance of up to $150 million in letters of credit. On October 26, 2022, AWCC and certain lenders amended and restated the credit agreement with respect to the revolving credit facility to, among other things, increase the maximum commitments under the facility from $2.25 billion to $2.75 billion and to extend the expiration date of the facility from March 2025 to October 2027. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods. Also, effective October 26, 2022, the maximum aggregate principal amount of short-term borrowings authorized under AWCC’s commercial paper program was increased from $2.10 billion to $2.60 billion. As of December 31, 2022, AWCC had no outstanding borrowings and $78 million of outstanding letters of credit under its revolving credit facility, with $1.50 billion available to fulfill its short-term liquidity needs and to issue letters of credit.

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company’s short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. The Company’s future cash flows from operating activities will be affected by, among other things: customers’ ability to pay for service in a timely manner, economic utility regulation, inflation, compliance with environmental, health and safety standards, production costs, maintenance costs, customer growth, declining customer usage of water, employee-related costs, including pension funding, weather and seasonality, taxes, and overall economic conditions.

Operating cash flows can be negatively affected by changes in the Company’s rate regulated environments, changes in the economy, interest rates, the timing of tax payments, and the Company’s customers’ ability to pay for service in a timely manner, among other items. The Company can provide no assurance that its customers’ historical payment pattern will continue in the future. The Company’s current liabilities may exceed current assets mainly from debt maturities due within one year and the use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, fund acquisitions and construction projects, as well as cash needs, which can fluctuate significantly due to the seasonality of the business and other factors. The Company addresses cash timing differences primarily through its short-term liquidity funding mechanisms.

Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

(In millions)	For the Years Ended December 31, 2022	2021	2020
Net income	$ 820	$ 1,263	$ 709
Add (less):			
Depreciation and amortization	649	636	604
Deferred income taxes and amortization of investment tax credits (c)	80	230	207
Other non-cash activities (a)	(16)	(27)	—
Changes in working capital (b)	(355)	126	(55)
Pension and non-pension postretirement benefit contributions	(51)	(40)	(39)
(Gain) or loss on sale of businesses	(19)	(747)	—
Net cash provided by operating activities	$ 1,108	$ 1,441	$ 1,426

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, income tax receivable, accounts payable and accrued liabilities, accrued taxes and other current assets and liabilities, net.

(c) The decrease in the 2022 deferred tax activity is primarily due to the settlement of the deferred tax liability related to New York American Water, sold in January 2022.

In 2022, cash flows provided by operating activities decreased $333 million. The changes were driven by $338 million of estimated tax payments primarily for taxable gains on the sales of the Company's HOS business and its New York regulated operations, as well as the contribution of $45 million to the American Water Charitable Foundation. Partially offsetting these changes was a decrease due to the gain recognized from the sale of HOS in 2021.

The Company expects to make pension contributions to the plan trusts of $39 million in 2023. Actual amounts contributed could change materially from this estimate as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

(In millions)	For the Years Ended December 31, 2022	2021	2020
Capital expenditures	$ (2,297)	$ (1,764)	$ (1,822)
Acquisitions, net of cash acquired	(315)	(135)	(135)
Proceeds from sale of assets, net of cash on hand	608	472	2
Removal costs from property, plant and equipment retirements, net	(123)	(109)	(106)
Net cash used in investing activities	$ (2,127)	$ (1,536)	$ (2,061)

In 2022, cash flows used in investing activities increased $591 million primarily due to increased payments for capital expenditures and acquisitions partially offset by proceeds of $608 million received from the sale of the Company's New York operations. The Company continues to invest across all infrastructure categories, mainly replacement and renewal of transmission and distribution and services, meter and fire hydrants infrastructure in the Company's Regulated Businesses, as discussed below.

The Company's infrastructure investment plan consists of both infrastructure renewal programs, where the Company replaces mains, services, meters, hydrants and valves, as needed, and major capital investment

projects, where the Company constructs new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. The Company's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Presented in the table below is a summary of the Company's capital expenditures by category:

	For the Years Ended December 31,		
(In millions)	**2022**	**2021**	**2020**
Transmission and distribution	$ 901	$ 749	$ 704
Treatment and pumping	190	197	306
Services, meter and fire hydrants	546	366	333
General structure and equipment	380	251	299
Sources of supply	95	64	54
Wastewater	185	137	126
Total capital expenditures	$ 2,297	$ 1,764	$ 1,822

In 2022, the Company's capital expenditures increased $533 million due to an increase across most infrastructure categories.

The Company also grows its business primarily through acquisitions of water and wastewater systems. These acquisitions are generally located in geographic proximity to the Company's existing Regulated Businesses and support continued geographical diversification and growth of its operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with long-term financing. During 2022, the Company paid $315 million for the acquisition of 26 water and wastewater systems, representing in the aggregate approximately 70,000 customers.

As previously noted, over the next five years the Company expects to invest between $14 billion to $15 billion, with $12.5 billion to $13 billion for infrastructure improvements in the Regulated Businesses, and the Company expects to invest between $30 billion to $34 billion over the next 10 years. In 2023, the Company expects to invest $2.9 billion, consisting of $2.5 billion for infrastructure improvements and $400 million for acquisitions in the Regulated Businesses.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

	For the Years Ended December 31,		
(In millions)	**2022**	**2021**	**2020**
Proceeds from long-term debt	$ 822	$ 1,118	$ 1,334
Repayments of long-term debt	(15)	(372)	(342)
(Repayments of) proceeds from term loan	—	(500)	500
Net short-term borrowings (repayments) with maturities less than three months	591	(198)	(5)
Dividends paid	(467)	(428)	(389)
Other financing activities, net (a)	69	35	22
Net cash provided by (used in) financing activities	$ 1,000	$ (345)	$ 1,120

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, advances and contributions in aid of construction, net of refunds, and debt issuance costs and make-whole premiums on early debt redemption.

In 2022, cash flows provided by financing activities increased $1,345 million, primarily due to an increase in commercial paper borrowings, the repayment in full at maturity of the $500 million term loan in 2021 and repayments of long-term debt due to the prepayment of $327 million in aggregate principal amount of AWCC's outstanding senior notes in 2021, with no comparable repayments in 2022. These changes were partially offset by lower proceeds from long-term debt.

The Company's financing activities are primarily focused on funding regulated infrastructure expenditures, regulated acquisitions and payment of dividends. These activities included the issuance of long-term and short-term debt, primarily through AWCC. Based on the needs of the Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and parent company. The Regulated Businesses and parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. Parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2022, AWCC has made long-term fixed rate loans and commercial paper loans to the Regulated Businesses amounting to $7.6 billion. Additionally, as of December 31, 2022, AWCC has made long-term fixed rate loans and commercial paper loans to parent company amounting to $3.6 billion.

On May 5, 2022, AWCC issued $800 million aggregate principal amount of its 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $792 million. AWCC used the net proceeds of the offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts (through AWCC) for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company minimizes the counterparty credit risk on these transactions by dealing only with leading, creditworthy financial institutions, having long-term credit ratings of "A" or better.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling $400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately $4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022.

In November and December 2022, the Company entered into four 10-year treasury lock agreements, with notional amounts totaling $100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.56%. In January 2023, the Company entered into three additional 10-year treasury lock agreements, with notional amounts totaling $100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.35%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2022, 2021 or 2020.

In February 2021, parent company and AWCC filed with the SEC a universal shelf registration statement that enables the Company to meet its capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration statement will expire in February 2024. During 2022, 2021 and 2020, $800 million, $1.10 billion, and $1.00 billion, respectively, of debt securities were issued under this and predecessor registration statements.

Presented in the table below are the issuances of long-term debt in 2022:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC (a)	Senior notes—fixed rate	4.45%	4.45%	2032	$ 800
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.75%	1.03%	2027-2042	22
Total issuances					$ 822

(a) This indebtedness is considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness. See "—Issuer and Guarantor of Senior Notes" below.

Presented in the table below are the retirements and redemptions of long-term debt in 2022 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.31%	2.24%	2024-2031	$ 1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.50%	2022-2051	13
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	8.49%	2022	1
Total retirements and redemptions					$ 15

From time to time and as market conditions warrant, the Company may engage in long-term debt retirements through make-whole redemptions, tender offers, open market repurchases or other viable alternatives.

Issuer and Guarantor of Senior Notes

The outstanding senior notes issued by AWCC have been issued under two indentures, each by and between AWCC and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the notes issued thereunder. The senior notes also have been issued with the benefit of a support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under the senior notes. No other subsidiary of parent company provides guarantees for any of the outstanding senior notes. If AWCC is unable to make timely payment of any

interest, principal or premium, if any, on such senior notes, parent company will provide to AWCC, at its request or the request of any holder of such senior notes, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any holder of such senior notes, when due, the support agreement provides that the holder may proceed directly against parent company to enforce such rights or to obtain payment of the defaulted amounts owed to that holder.

As a wholly owned finance subsidiary of parent company, AWCC has no significant assets other than obligations of parent company and certain of its subsidiaries in its Regulated Businesses segment to repay certain intercompany loans made to them by AWCC. AWCC's ability to make payments of amounts owed to holders of the senior notes will be dependent upon AWCC's receipt of sufficient payments of amounts owed pursuant to the terms of such intercompany loans and from its ability to issue indebtedness or otherwise obtain loans in the future, the proceeds of which would be used to fund the repayment of the senior notes.

Because parent company is a holding company and substantially all of its operations are conducted through its subsidiaries other than AWCC, parent company's ability to fulfill its obligations under the support agreement will be dependent upon its receipt of sufficient cash dividends or distributions from its operating subsidiaries. See Note 9—Shareholders' Equity—Dividends and Distributions, in the Notes to the Consolidated Financial Statements for a summary of the limitations on parent company and its subsidiaries to pay dividends or make distributions. Furthermore, parent company's operating subsidiaries are separate and distinct legal entities and, other than AWCC, have no obligation to make any payments on the senior notes or to make available or provide any funds for such payment, other than through their repayment obligations under intercompany loans, if any, with AWCC. Based on the foregoing, parent company's obligations under the support agreement will be effectively subordinated to all indebtedness and other liabilities, including trade payables, lease commitments and moneys borrowed or other indebtedness incurred or issued by parent company's subsidiaries other than AWCC.

Credit Facilities and Short-Term Debt

Interest rates on advances under the Company's revolving credit facility are based on a credit spread to the Secured Overnight Financing Rate ("SOFR") rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody Investors Service's and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt. The facility is used principally to support AWCC's commercial paper program and to provide up to $150 million in letters of credit. Indebtedness under the facility and AWCC's commercial paper are considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations thereunder.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2022		
(In millions)	**Commercial Paper Limit**	**Letters of Credit**	**Total (a)**
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	$ 1,423	$ 72	$ 1,495

(a) Total remaining availability of $1.50 billion as of December 31, 2022, may be accessed through revolver draws.

(In millions)	2021 Commercial Paper Limit	2021 Letters of Credit	2021 Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	$ 1,516	$ 74	$ 1,590

(a) Total remaining availability of $1.59 billion as of December 31, 2021, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2022 and 2021:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580
Available liquidity as of December 31, 2021	116	1,590	1,706

The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41% and 0.20%, for the years ended December 31, 2022 and 2021, respectively.

Capital Structure

Presented in the table below is the percentage of the Company's capitalization represented by the components of its capital structure as of December 31:

	2022	2021	2020
Total common shareholders' equity	38.3%	39.9%	37.1%
Long-term debt and redeemable preferred stock at redemption value	54.4%	56.6%	53.6%
Short-term debt and current portion of long-term debt	7.3%	3.5%	9.3%
Total	100%	100%	100%

The changes in the capital structure mix between periods were mainly attributable to the impacts of the HOS sale on December 9, 2021, and the repayment of short-term borrowings with proceeds from the sale, and the Company's long-term debt offering that was completed on May 5, 2022.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2022, the Company's ratio was 0.62 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of February 15, 2023, as issued by Moody's Investors Service on December 19, 2022, and S&P Global Ratings on February 6, 2023:

Securities	Moody's Investors Service	S&P Global Ratings
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. None of the Company's borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, power and other fuel, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends and Regulatory Restrictions

For discussion of the Company's dividends, dividend restrictions and dividend policy, see Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Insurance Coverage

The Company carries various property, casualty, cyber and financial insurance policies with limits, deductibles and exclusions that it believes are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience which in turn can impact coverage terms and conditions on a going-forward basis. The Company is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on the Company's short-term and long-term financial condition and its results of operations and cash flows.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and make estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and judgments applied to these accounting policies could have a significant impact on the Company's financial condition, results of operations and cash flows, as reflected in the Company's Consolidated Financial Statements. Management has reviewed the critical accounting polices described below with the Company's Audit, Finance and Risk Committee, including the estimates, assumptions and judgments used in their application. Additional discussion regarding these critical accounting policies and their application can be found in Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements.

Regulation and Regulatory Accounting

The Company's regulated utilities are subject to regulation by PUCs and, as such, the Company follows the authoritative accounting principles required for rate regulated utilities, which requires the Company to reflect the effects of rate regulation in its Consolidated Financial Statements. Use of this authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2022, the Company concluded that the operations of its utilities met the criteria.

Application of this authoritative guidance has a further effect on the Company's financial statements as it pertains to allowable costs used in the ratemaking process. The Company makes significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgments include, but are not limited to, assets and liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation rates and taxes. Due to timing and other differences in the collection of revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the principles require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers.

For each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable future recovery or probable future settlement, the Company's Consolidated Statements of Operations and financial position could be materially affected. In addition, if the Company concludes in a future period that a separable portion of the business no longer meets the criteria, the Company is required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the Consolidated Financial Statements. Failure to meet the criteria of this authoritative guidance could materially impact the Company's Consolidated Financial Statements.

As of December 31, 2022 and 2021, the Company's regulatory asset balance was $1.0 billion and $1.1 billion, respectively, and its regulatory liability balance was $1.6 billion and $1.6 billion, respectively. See Note 3—Regulatory Matters in the Notes to Consolidated Financial Statements for further information regarding the Company's significant regulatory assets and liabilities.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of NOL carryforwards.

In accordance with applicable authoritative guidance, the Company accounts for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

The Company evaluates the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and its intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. The Company also assesses its ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. The Company records valuation allowances for deferred tax assets when it concludes that it is more-likely-than-not such benefit will not be realized in future periods.

Under GAAP, specifically ASC 740, *Income Taxes*, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. For the Company's regulated entities, the change in deferred taxes are recorded as either an offset to a regulatory asset or a regulatory liability and may be subject to refund to customers. For the Company's unregulated operations, the change in deferred taxes are recorded as a non-cash re-measurement adjustment to earnings.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations, failure to successfully implement tax planning strategies and recovery of taxes through the regulatory process for the Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. The resulting tax balances as of December 31, 2022 and 2021 are appropriately accounted for in accordance with the applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to the Consolidated Financial Statements and such adjustments could be material. See Note 14—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared service operations. The Company also maintains other postretirement benefit plans providing medical and life insurance to eligible retirees. See Note 2—Significant Accounting Policies and Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional information regarding the description of and accounting for the defined benefit pension plans and postretirement benefit plans.

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement

benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- Discount Rate—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.
- Expected Return on Plan Assets ("EROA")—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs the Company records currently.
- Rate of Compensation Increase—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement.
- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care.
- Mortality— Management adopted the Society of Actuaries Pri-2012 mortality base table, the most recent table developed from private pension plan experience, which provides rates of mortality in 2012 and adopted the new MP-2021 mortality improvement scale to gradually adjust future mortality rates downward due to increased longevity in each year after 2012.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The weighted-average discount rate assumption for determining pension benefit obligations was 5.58%, 2.94% and 2.74% at December 31, 2022, 2021 and 2020, respectively. The weighted-average discount rate assumption for determining other postretirement benefit obligations was 5.60%, 2.90% and 2.56% at December 31, 2022, 2021 and 2020, respectively.

In selecting an EROA, the Company considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The weighted-average EROA assumption used in calculating pension cost was 6.50% for 2022, 6.50% for 2021, and 6.50% for 2020. The weighted-average EROA assumption used in calculating other postretirement benefit costs was 3.60% for 2022, 3.67% for 2021 and 3.68% for 2020.

Presented in the table below are the allocations of the pension plan assets by asset category:

Asset Category	2023 Target Allocation	Percentage of Plan Assets as of December 31,	
		2022	2021
Equity securities	37%	57%	53%
Fixed income	63%	43%	47%
Total	100%	100%	100%

Presented in the table below are the allocations of the other postretirement benefit plan assets by asset category:

Asset Category	2023 Target Allocation (a)	Percentage of Plan Assets as of December 31, 2022	2021
Equity securities	27%	30%	22%
Fixed income	73%	70%	78%
Total	100%	100%	100%

(a) Refer to Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional details on the allocations of assets and the trusts which fund the other postretirement benefit plans

The investments of the pension and postretirement welfare plan trusts include debt and equity securities held either directly or through mutual funds, commingled funds and limited partnerships. The trustee for the Company's defined benefit pension and postretirement welfare plans uses an independent valuation firm to calculate the fair value of plan assets.

In selecting a rate of compensation increase, the Company considers past experience in light of movements in inflation rates. The Company's rate of compensation increase was 3.51% for 2022, 3.51% for 2021 and 3.51% for 2020.

In selecting health care cost trend rates, the Company considers past performance and forecasts of increases in health care costs. As of January 1, 2022, the Company's health care cost trend rate assumption used to calculate the periodic benefit cost was 6.00% in 2022 gradually declining to 5.00% in 2026 and thereafter. As of December 31, 2022, the Company projects that medical inflation will be 7.00% in 2023 gradually declining to 5.00% in 2031 and thereafter.

The Company will use a weighted-average discount rate and EROA of 5.58% and 6.75%, respectively, for estimating its 2023 pension costs. Additionally, the Company will use a weighted-average discount rate and EROA of 5.60% and 5.00%, respectively, for estimating its 2023 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase the Company's pension expense. The Company's 2022 pension and postretirement total net benefit credit was $47 million and the 2021 pension and postretirement total net benefit credit was $41 million. The Company expects to make pension contributions to the plan trusts of $39 million in 2023; however, the actual amounts contributed could change materially from this estimate. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards.

Benefit Plan Amendments

In December 2022, the Company amended the American Water Pension Plan ("AWPP"), a tax-qualified defined benefit pension plan, to restructure it as of December 31, 2022. The restructuring involved the spin-off of certain inactive participants from the existing AWPP into a separate tax-qualified defined benefit pension plan, the American Water Pension Plan for Certain Inactive Participants ("AWPP Inactive"). Benefits offered to the plan participants remain unchanged. Actuarial gains and losses associated with AWPP Inactive will be amortized over the average remaining life expectancy of the inactive participants, which increases the amortization period from approximately 7 years to 18 years. The longer amortization period is expected to lower the Company's pre-tax pension expense by approximately $5 million in 2023. The actuarial gains and losses associated with the AWPP will continue to be amortized over the average remaining service period for active participants. The Company remeasured the pension plan obligation and assets for each plan as of December 31, 2022.

Upon evaluating prior plan changes, Company funding and market performance, in December 2022, the Company completed plan amendments to spin-off and merge a portion of the American Water Retiree Welfare Plan, with and into the Company's medical plan for active employees ("Active Medical Plan"), in order to repurpose the over-funded portion of the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust. Benefits offered to the plan participants remain unchanged. As a result of these changes, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of Active Medical Plan participants ("Active VEBA"). The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately $194 million of assets for purposes of paying active union employee medical benefits. The Company recorded the transfer of assets as a negative contribution and therefore did not record a gain or loss, as permitted by accounting guidance. See Note 18—Fair Value of Financial Information in the Notes to Consolidated Financial Statements, for additional information on accounting for the assets as investments in debt and equity securities as of December 31, 2022.

Revenue Recognition

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis, and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for the Company's regulated utilities as of December 31, 2022 and 2021 was $178 million and $162 million, respectively.

The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Revenue from the Company's former HOS business, which was sold in December 2021, was generated through various protection programs in which the Company provided fixed fee services to domestic homeowners and smaller commercial customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters, power surge protection and other related services. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

The Company also has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance

obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue within Other as of December 31, 2022 and 2021 was $97 million and $86 million, respectively.

Accounting for Contingencies

The Company records loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss or a range of losses can be reasonably estimated. The determination of a loss contingency is based on management's judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limited to: the nature of the litigation, claim or assessment, review of applicable law, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. The Company provides disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. The Company provides estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement or other resolution of loss contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the Consolidated Financial Statements. See Note 16—Commitments and Contingencies in the Notes to Consolidated Financial Statements for additional information regarding contingencies.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. The Company is exposed to risks from changes in interest rates as a result of its issuance of variable and fixed rate debt and commercial paper. The Company manages its interest rate exposure by limiting its variable rate exposure and by monitoring the effects of market changes in interest rates. The Company also has the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2022, a hypothetical increase of interest rates by 1% associated with the Company's short-term borrowings would result in a $6 million increase in short-term interest expense.

The Company's risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on the Company's results of operations, financial position and cash flows.

The market price of the Company's common stock may experience fluctuations, which may be unrelated to its operating performance. In particular, the Company's stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could

include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for the Company to access the capital markets in the future through additional offerings of its common stock or other equity securities, regardless of its financial performance, and such difficulty may preclude the Company from being able to take advantage of certain business opportunities or meet business obligations.

The Company is exposed to credit risk through its water, wastewater and related services. The Company's Regulated Businesses serve residential, commercial, industrial and other customers, while the businesses within Other engage in business activities with government entities and other customers. The Company's primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. The Company's credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. The Company's credit portfolio is diversified with no significant customer or industry concentrations. In addition, the Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company's retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset values can impact the Company's pension and other benefits expense, funded status and future minimum funding requirements. Changes in interest rates can impact retirement liabilities. The Company aims to reduce risk through asset diversification and by investing in long duration fixed-income securities that have a duration similar to that of its pension liabilities, seeking to hedge some of the interest rate sensitivity of its liabilities. That way, if interest rates fall and liabilities increase, the Company expects that the fixed-income assets in its retirement trust will also increase in value. The Company also expects its risk to be reduced through its ability to recover pension and other benefit costs through rates.

The Company is also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which it operates. The credit quality of the Company's customer accounts receivable is dependent on the economy and the ability of its customers to manage through unfavorable economic cycles and other market changes. In addition, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, the Company's ability to fully recover operating expense, recover its investment and provide an appropriate return on invested capital made in the Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in

accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were $1,030 million and $1,595 million, respectively, as of December 31, 2022. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

The principal considerations for our determination that performing procedures relating to accounting for the effects of rate regulation is a critical audit matter are the significant judgment by management in accounting for regulatory assets and liabilities relative to whether regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement as a result of changes in regulatory environments, recent rate orders, and the status of any pending or potential legislation. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence obtained relating to management's judgments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's regulatory accounting process, including controls over management's assessment and consideration of factors related to the probability of future recovery or settlement. These procedures also included, among others, evaluating the reasonableness of management's judgments regarding the probability of recovery and settlement based on the Company's correspondence with regulators,

status of regulatory proceedings, past practices, and other relevant information; evaluating the related accounting and disclosure implications; and evaluating regulatory assets and liabilities balances based on provisions and formulas outlined in rate orders and other correspondence with the Company's regulators.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2023

We have served as the Company's auditor since 1948.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2022	December 31, 2021
ASSETS		
Property, plant and equipment	$ 29,736	$ 27,413
Accumulated depreciation	(6,513)	(6,329)
Property, plant and equipment, net	23,223	21,084
Current assets:		
Cash and cash equivalents	85	116
Restricted funds	32	20
Accounts receivable, net of allowance for uncollectible accounts of $60 and $75, respectively	334	271
Income tax receivable	114	4
Unbilled revenues	275	248
Materials and supplies	98	57
Assets held for sale	—	683
Other	312	155
Total current assets	1,250	1,554
Regulatory and other long-term assets:		
Regulatory assets	990	1,051
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	82	92
Goodwill	1,143	1,139
Postretirement benefit assets	—	193
Other	379	242
Total regulatory and other long-term assets	3,314	3,437
Total assets	$ 27,787	$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2022	December 31, 2021
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 187,200,539 and 186,880,413 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,824	6,781
Retained earnings	1,267	925
Accumulated other comprehensive loss	(23)	(45)
Treasury stock, at cost (5,342,477 and 5,269,324 shares, respectively)	(377)	(365)
Total common shareholders' equity	7,693	7,298
Long-term debt	10,926	10,341
Redeemable preferred stock at redemption value	3	3
Total long-term debt	10,929	10,344
Total capitalization	18,622	17,642
Current liabilities:		
Short-term debt	1,175	584
Current portion of long-term debt	281	57
Accounts payable	254	235
Accrued liabilities	706	701
Accrued taxes	49	176
Accrued interest	91	88
Liabilities related to assets held for sale	—	83
Other	255	217
Total current liabilities	2,811	2,141
Regulatory and other long-term liabilities:		
Advances for construction	316	284
Deferred income taxes and investment tax credits	2,437	2,421
Regulatory liabilities	1,590	1,600
Operating lease liabilities	70	80
Accrued pension expense	235	285
Other	202	180
Total regulatory and other long-term liabilities	4,850	4,850
Contributions in aid of construction	1,504	1,442
Commitments and contingencies (See Note 16)		
Total capitalization and liabilities	$ 27,787	$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations
(In millions, except per share data)

	For the Years Ended December 31,		
	2022	2021	2020
Operating revenues	$3,792	$3,930	$3,777
Operating expenses:			
Operation and maintenance	1,589	1,777	1,622
Depreciation and amortization	649	636	604
General taxes	281	321	303
Total operating expenses, net	2,519	2,734	2,529
Operating income	1,273	1,196	1,248
Other income (expense):			
Interest expense	(433)	(403)	(397)
Interest income	52	4	2
Non-operating benefit costs, net	77	78	49
Gain on sale of businesses	19	747	—
Other, net	20	18	22
Total other income (expense)	(265)	444	(324)
Income before income taxes	1,008	1,640	924
Provision for income taxes	188	377	215
Net income attributable to common shareholders	$ 820	$1,263	$ 709
Basic earnings per share: (a)			
Net income attributable to common shareholders	$ 4.51	$ 6.96	$ 3.91
Diluted earnings per share: (a)			
Net income attributable to common shareholders	$ 4.51	$ 6.95	$ 3.91
Weighted average common shares outstanding:			
Basic	182	182	181
Diluted	182	182	182

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2022	2021	2020
Net income attributable to common shareholders	$ 820	$ 1,263	$ 709
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of $5, $0 and $(4) in 2022, 2021 and 2020, respectively	14	(1)	(12)
Defined benefit pension plan actuarial loss, net of tax of $1, $1 and $1 in 2022, 2021 and 2020, respectively	3	4	3
Unrealized gain (loss) on cash flow hedges, net of tax of $1, $1 and $(1) in 2022, 2021 and 2020, respectively	5	1	(4)
Net other comprehensive income (loss)	22	4	(13)
Comprehensive income attributable to common shareholders	$ 842	$ 1,267	$ 696

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2022	**2021**	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 820	$ 1,263	$ 709
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	649	636	604
Deferred income taxes and amortization of investment tax credits	80	230	207
Provision for losses on accounts receivable	24	37	34
(Gain) or loss on sale of businesses	(19)	(747)	—
Pension and non-pension postretirement benefits	(47)	(41)	(14)
Other non-cash, net	7	(23)	(20)
Changes in assets and liabilities:			
Receivables and unbilled revenues	(114)	(74)	(97)
Income tax receivable	(110)	21	(3)
Pension and non-pension postretirement benefit contributions	(51)	(40)	(39)
Accounts payable and accrued liabilities	(8)	66	(2)
Accrued taxes	(118)	129	3
Other assets and liabilities, net	(5)	(16)	44
Net cash provided by operating activities	1,108	1,441	1,426
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(2,297)	(1,764)	(1,822)
Acquisitions, net of cash acquired	(315)	(135)	(135)
Proceeds from sale of assets, net of cash on hand	608	472	2
Removal costs from property, plant and equipment retirements, net	(123)	(109)	(106)
Net cash used in investing activities	(2,127)	(1,536)	(2,061)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	822	1,118	1,334
Repayments of long-term debt	(15)	(372)	(342)
(Repayments of) proceeds from term loan	—	(500)	500
Net short-term borrowings (repayments) with maturities less than three months	591	(198)	(5)
Advances and contributions in aid of construction, net of refunds of $19, $25 and $24 in 2022, 2021 and 2020, respectively	74	62	28
Debt issuance costs and make-whole premium on early debt redemption	(7)	(26)	(15)
Dividends paid	(467)	(428)	(389)
Other, net	2	(1)	9
Net cash provided by (used in) financing activities	1,000	(345)	1,120
Net (decrease) increase in cash, cash equivalents and restricted funds	(19)	(440)	485
Cash, cash equivalents and restricted funds at beginning of period	136	576	91
Cash, cash equivalents and restricted funds at end of period	$ 117	$ 136	$ 576
Cash paid during the year for:			
Interest, net of capitalized amount	$ 414	$ 389	$ 382
Income taxes, net of refunds of $2, $6 and $2 in 2022, 2021 and 2020, respectively	$ 335	$ 1	$ 7
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	$ 330	$ 292	$ 221
Seller promissory note from the sale of the Homeowner Services Group	$ —	$ 720	$ —
Contingent cash payment from the sale of the Homeowner Services Group	$ —	$ 75	$ —

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Changes in Shareholders' Equity

(In millions, except per share data)

	Common Stock		Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2019	185.9	$ 2	$ 6,700	$ (207)	$ (36)	(5.1)	$ (338)	$ 6,121
Net income attributable to common shareholders	—	—	—	709	—	—	—	709
Common stock issuances (a)	0.6	—	47	—	—	(0.1)	(10)	37
Net other comprehensive income	—	—	—	—	(13)	—	—	(13)
Dividends ($2.20 declared per common share)	—	—	—	(400)	—	—	—	(400)
Balance as of December 31, 2020	186.5	$ 2	$ 6,747	$ 102	$ (49)	(5.2)	$ (348)	$ 6,454
Net income attributable to common shareholders	—	—	—	1,263	—	—	—	1,263
Common stock issuances (a)	0.4	—	34	—	—	(0.1)	(17)	17
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends ($2.41 declared per common share)	—	—	—	(440)	—	—	—	(440)
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298
Net income attributable to common shareholders	—	—	—	820	—	—	—	820
Common stock issuances (a)	0.5	—	43	—	—	(0.1)	(12)	31
Net other comprehensive income	—	—	—	—	22	—	—	22
Dividends ($2.62 declared per common share)	—	—	—	(478)	—	—	—	(478)
Balance as of December 31, 2022	187.4	$ 2	$ 6,824	$ 1,267	$ (23)	(5.4)	$ (377)	$ 7,693

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and direct stock purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Notes to Consolidated Financial Statements
(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the "Company" or "American Water") is a holding company for regulated and market-based subsidiaries that provide water and wastewater services throughout the United States. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries. The Company's primary business involves the ownership of regulated utilities that provide water and wastewater services in 14 states in the United States, collectively referred to as the "Regulated Businesses." The Company also operates other market-based businesses that provide water and wastewater services within non-reportable operating segments, collectively presented throughout this Annual Report on Form 10-K within "Other." The Company's primary market-based businesses included within Other are the Military Services Group ("MSG"), which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations; and the former Homeowner Services Group ("HOS"), which was sold on December 9, 2021, and provided various warranty protection programs and other home services to residential customers.

Note 2: Significant Accounting Policies

Regulation

The Company's regulated utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions ("PUCs"). As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's Consolidated Financial Statements. PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also approve accounting treatments, long-term financing programs and cost of capital, operation and maintenance ("O&M") expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers, acquisitions and dispositions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility's revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, these principles also require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 3—Regulatory Matters for additional information.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires that management make estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. The Company considers its critical accounting estimates to include (i) the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities, (ii) revenue recognition and the estimates used in the calculation of unbilled revenue, (iii) accounting for income taxes, (iv) benefit plan assumptions and (v) the estimates and judgments used in determining loss contingencies. The Company's critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, income taxes, benefit plan assumptions and contingency-related obligations.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany balances and transactions.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant utilized by the Company's regulated utilities. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction ("AFUDC"). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of utility plant is depreciated using the straight-line average remaining life, group method. The Company's regulated utilities record depreciation in conformity with amounts approved by PUCs, after regulatory review of the information the Company submits to support its estimates of the assets' remaining useful lives.

Nonutility property consists primarily of buildings and equipment utilized by the Company's MSG business and for internal operations. This property is stated at cost, net of accumulated depreciation, which is calculated using the straight-line method over the useful lives of the assets.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs amounted to $369 million and $374 million as of December 31, 2022 and 2021, respectively.

Cash and Cash Equivalents, and Restricted Funds

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted funds consist primarily of proceeds from financings for the construction and capital improvement of facilities, and deposits for future services under O&M projects. Proceeds are held in escrow or interest-bearing accounts until the designated expenditures are incurred. Restricted funds are classified on the Consolidated Balance Sheets as either current or long-term based upon the intended use of the funds.

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers generally on a monthly basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are market-based trade accounts receivable and nonutility customer receivables of the regulated subsidiaries. Unbilled revenues are accrued when service has been provided but has not been billed to customers and when costs exceed billings on market-based construction contracts.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. See Note 7—Allowance for Uncollectible Accounts for additional information.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Seller Promissory Note

The Company's seller promissory note is accounted for under Accounting Standards Codification ("ASC") Topic 310, *Receivables*, and is classified as held for investment and accounted for at amortized cost at the present value of consideration received for the sale of its HOS business. Interest income from the seller promissory note is accrued based on the principal amount outstanding and earned over the contractual life of the loan.

Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued liabilities and operating lease liabilities on the Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, accrued liabilities and other long-term liabilities on the Consolidated Balance Sheets. The Company has made an accounting policy election not to include operating leases with a lease term of twelve months or less.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of discounted lease payments. The implicit rate is used when readily determinable. ROU assets also include any upfront lease payments and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g., common-area maintenance costs), which are generally accounted for separately; however, the Company accounts for the lease and non-lease components as a single lease component for certain leases. Certain lease agreements include variable rental payments adjusted periodically for inflation. Additionally, the Company applies a portfolio approach to effectively account for the ROU assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized and must be allocated at the

reporting unit level, which is defined as an operating segment or one level below, and tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying value.

The Company's goodwill is primarily associated with the acquisition of American Water by an affiliate of the Company's previous owner in 2003 and has been allocated to reporting units based on the fair values at the date of the acquisitions. For purposes of testing goodwill for impairment, the reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The goodwill of Other is comprised of the MSG reporting unit.

The Company's annual impairment testing is performed as of November 30 of each year. The Company assesses qualitative factors to determine whether quantitative testing is necessary. If it is determined, based upon qualitative factors, that the estimated fair value of a reporting unit is, more likely than not, greater than its carrying value, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment and determines that the estimated fair value of a reporting unit, is more likely than not, less than its carrying value, a quantitative, fair value-based assessment is performed. This quantitative testing compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. An impairment loss will be recognized in the amount equal to the excess of the reporting unit's carrying value compared to its estimated fair value, limited to the total amount of goodwill allocated to that reporting unit.

Application of goodwill impairment testing requires management judgment, including the identification of reporting units and determining the fair value of reporting units. Management estimates fair value using a discounted cash flow analysis. Significant assumptions used in these fair value estimations include, but are not limited to, forecasts of future operating results, discount rate and growth rate.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate, however, if actual experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements. See Note 8—Goodwill and Other Intangible Assets for additional information.

Impairment of Long-Lived Assets

Long-lived assets, other than goodwill, include property, plant and equipment and long-term investments. The Company evaluates long-lived assets for impairment when circumstances indicate the carrying value of those assets may not be recoverable. The Company determines if long-lived assets are potentially impaired by comparing the undiscounted expected future cash flows to the carrying value when indicators of impairment exist. When the undiscounted cash flow analysis indicates a long-lived asset may not be recoverable, the amount of the impairment loss is determined by measuring the excess of the carrying amount of the long-lived asset or asset group over its fair value.

The long-lived assets of the Company's regulated utilities are grouped on a separate entity basis for impairment testing, as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company believes the assumptions and other considerations used to value long-lived assets to be appropriate, however, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2022 and 2021 on the Consolidated Balance Sheets are estimated refunds of $19 million and $23 million, respectively. These amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions. Contributions are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was $37 million, $36 million and $32 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Revenue Recognition

Under ASC Topic 606, *Revenue From Contracts With Customers,* and all related amendments (collectively, "ASC 606"), a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under ASC 606, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether any performance obligations are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Regulated Businesses Revenue

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the

accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Other Revenue

The Company has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. See Note 4—Revenue Recognition for additional information.

Prior to December 9, 2021, through various warranty protection programs and other home services, the Company previously provided fixed fee services to residential customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters and other home appliances, as well as power surge protection and other related services through its former HOS business. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

Income Taxes

The Company and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis. See Note 14—Income Taxes for additional information.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest, net on the Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in other, net on the Consolidated Statements of Operations. Presented in the table below is AFUDC for the years ended December 31:

	2022	2021	2020
Allowance for other funds used during construction	$ 20	$ 27	$ 30
Allowance for borrowed funds used during construction	14	10	13

Derivative Financial Instruments

The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company designates the derivative as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities on the Consolidated Statements of Cash Flows. See Note 11—Long-Term Debt for additional information.

Pension and Other Postretirement Benefits

The Company maintains defined benefit pension plans and other postretirement benefit plans for eligible employees and retirees. The plan obligation and costs of providing benefits under these plans are annually measured as of December 31. The measurement involves various factors, assumptions and accounting elections. The impact of assumption changes or experience different from that assumed on pension and other postretirement benefit obligations is recognized over time rather than immediately recognized in the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income. Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service period of the current active membership for the plans, with the exception of the American Water Pension Plan for Certain Inactive Participants (“AWPP Inactive”), which is amortized over the average remaining life expectancy of the inactive participants. See Note 15—Employee Benefits for additional information.

The Company’s policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2022:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022	Modified retrospective	The standard did not have a material impact on the Consolidated Financial Statements.
Disclosures by Business Entities about Government Assistance	The amendments in this update require additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies.	January 1, 2022	Prospective	The standard did not have a material impact on the Consolidated Financial Statements.
Reference Rate Reform	This update provides an additional two-year deferral on the sunset date for temporary relief during the reference rate reform transition period. After December 31, 2024, the Company will no longer be permitted to apply the relief for reference rate reform.	December 21, 2022	Prospective	The standard did not have a material impact on the Consolidated Financial Statements

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2022:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Troubled Debt Restructurings and Vintage Disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings ("TDRs") by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023; early adoption permitted	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of the excess accumulated deferred income taxes ("EADIT") that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective during 2022:

(In millions)	Effective Date	Amount
General rate cases by state:		
New Jersey	September 1, 2022	$ 46
Hawaii	July 1, 2022	2
West Virginia	February 25, 2022	13
California, Step Increase	January 1, 2022	9
Pennsylvania, Step Increase	January 1, 2022	20
Total general rate case authorizations		$ 90

Presented in the table below are annualized incremental revenues, including reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective on or after January 1, 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Pennsylvania	January 28, 2023	$ 138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 218

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues excluding previously recovered infrastructure surcharges, effective January 1, 2023, based on an authorized return on equity of 9.8%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement of the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a $138 million annualized increase in water and wastewater revenues and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The rate case proceeding was resolved through a "black box" settlement agreement and did not specify an approved return on equity ("ROE"). The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Company's Pennsylvania subsidiary's COVID-19 deferral balance.

On August 17, 2022, the Company's New Jersey subsidiary was authorized additional annual revenues of $46 million in its general rate case, effective September 1, 2022, based on an authorized return on equity of 9.6%, authorized rate base of $4.15 billion, a common equity ratio of 54.6% and a long-term debt ratio of 45.4%. The request incorporated updated estimates of production costs, including chemicals, fuel and power costs. Beginning January 1, 2023, the Company's New Jersey subsidiary will defer as a regulatory asset or liability, as appropriate, the difference between its pension expense and other postretirement benefits expense and those amounts included in base rates. The deferral period for this regulatory asset or liability will be two years or, if earlier, will end at the conclusion of the Company's New Jersey subsidiary's next general rate case. The Company's New Jersey subsidiary also withdrew its request, without prejudice, to recover its existing authorized COVID-19-related regulatory asset in the general rate case and will seek recovery in a separate proceeding within the process established in the New Jersey Board of Public Utilities' (the "NJBPU") generic COVID-19-related proceeding.

On February 24, 2022, the Company's West Virginia subsidiary ("WVAWC") was authorized additional annual revenues of $13 million in its general rate case, effective February 25, 2022, based on an authorized return on equity of 9.8%, authorized rate base of $734 million and a common equity ratio of 47.9%. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. WVAWC

filed its response to the Staff's Petition for Reconsideration on March 28, 2022, in support of the authorized revenue requirement. On October 21, 2022, the Public Service Commission of West Virginia denied the motion for reconsideration.

Pending General Rate Case Filings

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, with all increases compared against 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised requested additional annualized revenues for the test year 2024 is now $37 million, compared against 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million.

On July 1, 2022, the Company's Missouri subsidiary filed a general rate case requesting $105 million in additional annualized revenues.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting $14 million in additional annualized revenues. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates is subject to refund. On September 26, 2022, a settlement agreement, supported by all parties except one, was filed with the Virginia State Corporation Commission for a $11 million annual revenue increase. Public hearings were held on September 27 and 28, 2022. A final decision on this matter is expected in the first quarter of 2023.

The Company's California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the first quarter of 2023.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2022:

(In millions)	**Effective Date**	**Amount**
Infrastructure surcharges by state:		
New Jersey	(a)	$ 11
Pennsylvania	(b)	19
Missouri	(c)	30
Tennessee	August 8, 2022	3
Kentucky	July 1, 2022	3
Indiana	March 21, 2022	8
West Virginia	March 1, 2022	3
Illinois	January 1, 2022	6
Total infrastructure surcharge authorizations		$ 83

(a) In 2022, $1 million was effective December 30 and $10 million was effective June 27.
(b) In 2022, $8 million was effective on October 1, $9 million was effective July 1 and $2 million was effective April 1.
(c) In 2022, $18 million was effective August 11 and $12 million was effective February 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	January 16, 2023	$15
West Virginia	January 1, 2023	7
Pennsylvania	January 1, 2023	3
Total infrastructure surcharge filings		$25

Pending Infrastructure Surcharge Filings

On January 20, 2023, the Company's Indiana subsidiary filed an infrastructure surcharge proceeding requesting $21 million in additional annualized revenue

On November 18, 2022, the Company's Indiana subsidiary filed an infrastructure surcharge proceeding requesting $7 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company's California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company's total regulatory asset balance at December 31, 2022 earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	2022	2021
Deferred pension expense	$ 251	$ 323
Removal costs recoverable through rates	307	313
Regulatory balancing accounts	26	52
Other	406	439
Less: Regulatory assets included in assets held for sale (a)	—	(76)
Total regulatory assets	$ 990	$ 1,051

(a) These regulatory assets are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $251 million and $317 million as of December 31, 2022 and 2021, respectively. The remaining portion is the pension expense in excess of the amount contributed to the pension plans which is deferred by certain subsidiaries and will be recovered in future service rates as contributions are made to the pension plan.

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs and purchased power and water accounts.

Other regulatory assets include the financial impacts relating to the COVID-19 pandemic, purchase premium recoverable through rates, tank painting costs, certain construction costs for treatment facilities, property tax stabilization, employee-related costs, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

The Company has current regulatory assets of $40 million and $16 million included in other current assets on the Consolidated Balance Sheet as of December 31, 2022 and 2021, respectively, which is primarily made up of rate adjustment mechanisms.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. Presented in the table below is the composition of regulatory liabilities as of December 31:

	2022	2021
Income taxes recovered through rates	$ 1,127	$ 1,093
Removal costs recovered through rates	275	291
Postretirement benefit liability	100	153
Other	88	110
Less: Regulatory liabilities included in liabilities related to assets held for sale (a)	—	(47)
Total regulatory liabilities	$ 1,590	$ 1,600

(a) These regulatory liabilities are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Income taxes recovered through rates relate to deferred taxes that will likely be refunded to the Company's customers. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 ("TCJA") was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, as amended, including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. The enactment of the TCJA required a re-measurement of the Company's deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT will be used to benefit its regulated customers in future rates. All of the Company's regulated subsidiaries are amortizing EADIT and crediting customers.

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful lives that are recovered through customer rates over the lives of the associated assets.

On August 31, 2018, the Postretirement Medical Benefit Plan was remeasured to reflect an announced plan amendment which changed benefits for certain union and non-union plan participants. As a result of the remeasurement, the Company recorded a $227 million reduction to the net accumulated postretirement benefit obligation, with a corresponding regulatory liability.

Other regulatory liabilities include the financial impacts relating to the COVID-19 pandemic, TCJA reserve on revenue, pension and other postretirement benefit balancing accounts, legal settlement proceeds, deferred gains and various regulatory balancing accounts.

The Company has current regulatory liabilities of $5 million and $8 million included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2022 and 2021, respectively, which primarily is made up of TCJA reserve on revenue.

Note 4: Revenue Recognition

Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,938	$ 3	$ 1,941
Commercial	709	1	710
Fire service	147	—	147
Industrial	152	1	153
Public and other	252	—	252
Total water services	3,198	5	3,203
Wastewater services:			
Residential	173	1	174
Commercial	45	—	45
Industrial	4	—	4
Public and other	19	—	19
Total wastewater services	241	1	242
Miscellaneous utility charges	36	—	36
Alternative revenue programs	—	15	15
Lease contract revenue	—	9	9
Total Regulated Businesses	3,475	30	3,505
Other	288	(1)	287
Total operating revenues	$ 3,763	$ 29	$ 3,792

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,935	$ —	$ 1,935
Commercial	676	—	676
Fire service	151	—	151
Industrial	141	—	141
Public and other	230	—	230
Total water services	3,133	—	3,133
Wastewater services:			
Residential	151	—	151
Commercial	37	—	37
Industrial	4	—	4
Public and other	16	—	16
Total wastewater services	208	—	208
Miscellaneous utility charges	26	—	26
Alternative revenue programs	—	9	9
Lease contract revenue	—	8	8
Total Regulated Businesses	3,367	17	3,384
Other	547	(1)	546
Total operating revenues	$ 3,914	$ 16	$ 3,930

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2020:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,895	$ —	$ 1,895
Commercial	627	—	627
Fire service	147	—	147
Industrial	133	—	133
Public and other	201	—	201
Total water services	3,003	—	3,003
Wastewater services:			
Residential	134	—	134
Commercial	34	—	34
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	185	—	185
Miscellaneous utility charges	32	—	32
Alternative revenue programs	—	25	25
Lease contract revenue	—	10	10
Total Regulated Businesses	3,220	35	3,255
Other	523	(1)	522
Total operating revenues	$ 3,743	$ 34	$ 3,777

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's MSG, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $86 million, $71 million and $39 million are included in unbilled revenues on the Consolidated Balance Sheets as of December 31, 2022, 2021 and 2020, respectively. There were $161 million of contract assets added during 2022, and $146 million of contract assets were transferred to accounts receivable during 2022. There were $71 million of contract assets added during 2021, and $39 million of contract assets were transferred to accounts receivable during 2021.

Contract liabilities of $91 million, $19 million and $35 million are included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2022, 2021 and 2020, respectively. There were $189 million of contract liabilities added during 2022, and $117 million of contract liabilities were recognized as revenue during 2022. There were $152 million of contract liabilities added during 2021, and $168 million of contract liabilities were recognized as revenue during 2021.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of December 31, 2022, the Company's O&M and capital improvement contracts in MSG and the Contract Services Group have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of $7.0 billion as of December 31, 2022, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of $589 million as of December 31, 2022, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures

Regulated Businesses

Closed Acquisitions

During 2022, the Company closed on 26 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $335 million, of which $315 million was funded in 2022, which added approximately 70,000 water and wastewater customers, including the acquisition of the City of York wastewater system assets noted below. Assets acquired from these acquisitions, principally utility plant, totaled $337 million and liabilities assumed totaled $6 million. Several of these acquisitions were accounted for as business combinations. The preliminary purchase price allocations related to acquisitions accounted for as business combinations will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

On May 27, 2022, the Company's Pennsylvania subsidiary acquired the public wastewater collection and treatment system assets from the York City Sewer Authority and the City of York for a purchase price of $235 million, in cash, $20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement. The system assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. The acquisition was accounted for as a business combination and the preliminary purchase price allocation will be finalized once the valuation of assets acquired has been completed, no later than one year after the acquisition date. The preliminary purchase price allocation consisted primarily of $231 million of utility plant and $4 million of goodwill, which is reported in the Company's Regulated Businesses segment.

During 2021, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $112 million. Assets acquired from these acquisitions, principally utility plant, totaled $114 million and liabilities assumed totaled $2 million. Several of these acquisitions were accounted for as business combinations.

The pro forma impact of the Company's acquisitions was not material to the Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020.

Pending Acquisitions

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of $232 million in cash, subject to adjustment as provided for in the Asset Purchase Agreement. This system provides wastewater service for

approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in early 2023.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021.

Presented in the table below are the components of assets held for sale and liabilities related to assets held for sale of the New York subsidiary as of December 31, 2021:

	December 31, 2021
Property, plant and equipment	$ 556
Current assets	18
Regulatory assets	76
Goodwill	27
Other assets	6
Assets held for sale	$ 683
Current liabilities	13
Regulatory liabilities	47
Other liabilities	23
Liabilities related to assets held for sale	$ 83

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for $6 million in cash.

Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately $1.275 billion, resulting in pre-tax gain of $748 million. The consideration is comprised of $480 million in cash, a seller promissory note issued by the Buyer in the principal amount of $720 million, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 18—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. For the year ended December 31, 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of $20 million, which is included in Gain on sale of businesses on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized $50 million of interest income during the year ended December 31, 2022, from the seller note. The repayment obligations of the Buyer under the seller note have been secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions. The seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants.

Beginning December 9, 2024, the Company has a put right pursuant to which it may require the seller note to be repaid in full at par, plus accrued and unpaid interest, except that upon the occurrence of a disruption event in the broadly syndicated term loan "B" debt financing market, repayment by the Buyer pursuant to the Company's exercise of the put right will be delayed until the market disruption event ends.

The seller note may not be prepaid at the Buyer's election except in certain limited circumstances before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the seller note in breach of this non-call provision, an event of default will occur under the seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary "make-whole" payment.

The Company and the Buyer also entered into a revenue share agreement, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the Closing Date. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized $9 million of income during the year ended December 31, 2022, from the revenue share agreements, which is included in Other, net on the Consolidated Statements of Operations.

Note 6: Property, Plant and Equipment

Presented in the table below are the major classes of property, plant and equipment by category as of December 31:

	2022	2021	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	$ 239	$ 210		
Sources of supply	1,003	938	10 to 127 years	46 years
Treatment and pumping facilities	4,298	4,198	3 to 101 years	39 years
Transmission and distribution facilities	12,971	12,308	9 to 128 years	69 years
Services, meters and fire hydrants	5,162	4,888	5 to 90 years	32 years
General structures and equipment	2,289	2,200	1 to 109 years	15 years
Waste collection	1,539	1,363	5 to 113 years	56 years
Waste treatment, pumping and disposal	1,129	912	2 to 153 years	38 years
Construction work in progress	974	934		
Other (a)	23	(664)		
Total utility plant	29,627	27,287		
Nonutility property	109	126	3 to 50 years	10 years
Total property, plant and equipment	$29,736	$27,413		

(a) This includes utility plant acquisition adjustment balances in addition to property, plant and equipment related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Property, plant and equipment depreciation expense amounted to $552 million, $550 million and $520 million for the years ended December 31, 2022, 2021 and 2020, respectively and was included in depreciation and amortization expense on the Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.60%, 2.77% and 2.82% for years December 31, 2022, 2021 and 2020, respectively. Additionally, the Company had capital expenditures acquired on account but unpaid of $330 million and $292 million included in accrued liabilities on the Consolidated Balance Sheets as of December 31, 2022 and 2021, respectively.

In 2019, the Company completed and submitted its project completion certification to the New Jersey Economic Development Authority ("NJEDA") in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The NJEDA determined that the Company was qualified to receive $164 million in tax credits over a 10-year period. In October 2022, the NJEDA issued the Company a revised tax credit certificate in the amount of $161 million in tax credits to be received over the same 10-year period. The NJEDA denied previously approved capitalized interest cost amounting to $2.8 million. As a result, the Company adjusted the amounts included in Property, plant and equipment.

The Company is required to meet various annual requirements in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15.

One of the requirements to qualify for the release of credits annually is that the Company maintain a certain level of eligible positions at the qualified business facility ("QBF"). Prior to March 2020, a full-time employee must have spent at least 80% of their time at the QBF to meet the definition of eligible position or full-time job. On July 2, 2021, New Jersey's Governor signed legislation that revised provisions of the Economic Recovery Act of 2020, which lowered the 80% requirement for spending time at the QBF to 60% of the employee's time.

During the COVID-19 pandemic, the NJEDA implemented certain accommodations that temporarily waived the requirement that a full-time employee spend the requisite percentage of time at the QBF to be eligible for the award under the program. This waiver expired on June 30, 2022.

On December 22, 2022, the New Jersey Governor signed legislation which provides an additional waiver to eligible businesses for the period of July 1, 2022 to December 31, 2023. Specifically, it allows businesses to waive the 60% on-site requirement if (i) full-time workers spend at least 10% of their work hours at the QBF and (ii) the business pays NJEDA 5% of the amount of the tax credit the business receives for the 2022 tax period. The legislation also (i) extends the time within which a business may terminate their participation in the program to December 31, 2023, without the NJEDA recapturing previously distributed credits; (ii) extends the time allowed under current law for a business to suspend its obligations under the incentive agreement; (iii) extends the provision to include the 2022 and 2023 tax periods; and (iv) renews and extends the right of a business to reduce the required full-time employees specified in the incentive agreement to be eligible to receive the credit. The Company is considering all of its options as a result of the most recent legislation.

In December 2022, the NJEDA issued the utilization certificate for the 2019 tax credits to the Company in the amount of $16 million. The Company sold these tax credits to external parties in December 2022 for $15 million. The loss on sale of credits was recorded to Other income (expense) in the Consolidated Results of Operations for the year ended December 31, 2022. As a result, the Company had assets of $48 million and $97 million in Other current assets and Other long-term assets, respectively, on the Consolidated Balance Sheets as of December 31, 2022. The Company has made the necessary annual filings for the years ended December 31, 2020 and 2021, and expects to make the 2022 filing by April 30, 2023. The remaining submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in 2023.

Note 7: Allowance for Uncollectible Accounts

Presented in the table below are the changes in the allowances for uncollectible accounts for the years ended December 31:

	2022	2021	2020
Balance as of January 1	$ (75)	$ (60)	$ (41)
Amounts charged to expense	(24)	(37)	(34)
Amounts written off	27	35	23
Other, net (a)	12	(13)	(8)
Balance as of December 31	$ (60)	$ (75)	$ (60)

(a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity. The 2021 and 2020 activity also includes the portion of the allowance related to the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Note 8: Goodwill and Other Intangible Assets

Goodwill

Presented in the table below are the changes in the carrying value of goodwill for the years ended December 31, 2022 and 2021:

	Regulated Businesses		Other		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2021	$3,461	$ (2,332)	$ 483	$ (108)	$3,944	$ (2,440)	$ 1,504
Acquisition related adjustments	(7)	—	—	—	(7)	—	(7)
Goodwill included in assets held for sale (a)	12	—	—	—	12	—	12
Goodwill reduced through sale of HOS	—	—	(370)	—	(370)	—	(370)
Balance as of December 31, 2021	$3,466	$ (2,332)	$ 113	$ (108)	$3,579	$ (2,440)	$ 1,139
Goodwill from acquisitions	4	—	—	—	4	—	4
Balance as of December 31, 2022	$3,470	$ (2,332)	$ 113	$ (108)	$3,583	$ (2,440)	$ 1,143

(a) This goodwill is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

In 2021, the Company reduced goodwill by $370 million included in Other through the sale of HOS. See Note 5—Acquisitions and Divestitures for additional information relating to the sale of HOS.

The Company completed its annual impairment testing of goodwill as of November 30, 2022, which included qualitative assessments of its Regulated Businesses and MSG reporting units. Based on these assessments, the Company determined that there were no factors present that would indicate that the fair value of these reporting units was less than their respective carrying values as of November 30, 2022.

In 2022, the Company acquired goodwill of $4 million associated with one of its acquisitions in the Regulated Businesses segment.

Intangible Assets

The Company held finite-lived intangible assets, including customer relationships and other intangible assets prior to the sale of HOS during the fourth quarter of 2021. All of the Company's finite-lived intangible assets were sold as part of the HOS sale transaction. As a result, there was no gross carrying value or net book value of customer relationships and other intangible assets remaining as of December 31, 2022 and December 31, 2021. Intangible asset amortization expense amounted to $9 million and $12 million for the years ended December 31, 2021 and 2020, respectively. There was no amortization expense related to customer relationships and other intangible assets for the year ended December 31, 2022.

Note 9: Shareholders' Equity

Dividend Reinvestment and Direct Stock Purchase Plan

Under the Company's dividend reinvestment and direct stock purchase plan (the "DRIP"), shareholders may reinvest cash common stock dividends and purchase additional shares of Company common stock, up to certain limits, through the plan administrator without paying brokerage commissions. Shares purchased by participants through the DRIP may be newly issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2022, there were approximately 4.2 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allows the Company to purchase up to 10 million shares of its outstanding common stock from time to time over an unrestricted period of time. The Company did not repurchase shares of common stock during the years ended December 31, 2022 and 2021. As of December 31, 2022, there were 5.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2022 and 2021:

	Defined Benefit Plans				
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Gain (Loss) on Cash Flow Hedge	Accumulated Other Comprehensive Loss
Beginning balance as of January 1, 2021	$ (106)	$ 1	$ 63	$ (7)	$ (49)
Other comprehensive income (loss) before reclassification	(1)	—	—	1	—
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	4
Net other comprehensive income (loss)	(1)	—	4	1	4
Ending balance as of December 31, 2021	$ (107)	$ 1	$ 67	$ (6)	$ (45)
Other comprehensive income (loss) before reclassification	14	—	—	5	19
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	3
Net other comprehensive income (loss)	14	—	3	5	22
Ending balance as of December 31, 2022	$ (93)	$ 1	$ 70	$ (1)	$ (23)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 15—Employee Benefits for additional information.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends and Distributions

The Company's Board of Directors authorizes the payment of dividends. The Company's ability to pay dividends on its common stock is subject to having access to sufficient sources of liquidity, net income and cash flows of the Company's subsidiaries, the receipt of dividends and direct and indirect distributions from, and repayments of indebtedness of, the Company's subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements and other factors.

The Company's dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company's income and cash flows. When dividends on common stock are declared, they are typically paid in March, June, September and December. Historically, dividends have been paid quarterly to holders of record as of a date less than 30 days prior to the distribution date. Since the dividends on the Company's common stock are not cumulative, only declared dividends are paid.

During 2022, 2021 and 2020, the Company paid $467 million, $428 million and $389 million in cash dividends, respectively. Presented in the table below is the per share cash dividends paid for the years ended December 31:

	2022	2021	2020
December	$0.6550	$0.6025	$ 0.55
September	$0.6550	$0.6025	$ 0.55
June	$0.6550	$0.6025	$ 0.55
March	$0.6025	$ 0.55	$ 0.50

On December 7, 2022, the Company's Board of Directors declared a quarterly cash dividend payment of $0.6550 per share payable on March 1, 2023, to shareholders of record as of February 7, 2023.

Under applicable law, the Company's subsidiaries may pay dividends on their capital stock or other equity only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the amount of the dividend that the subsidiary can pay. The ability of the Company's subsidiaries to pay upstream dividends, make other upstream distributions or repay indebtedness to parent company or American Water Capital Corp. ("AWCC"), the Company's wholly owned financing subsidiary, as applicable, is subject to compliance with applicable corporate, tax and other laws, regulatory restrictions and financial and other contractual obligations, including, for example, (i) regulatory capital, surplus or net worth requirements, (ii) outstanding debt service obligations, (iii) requirements to make preferred and preference stock dividend payments, and (iv) other contractual agreements, covenants or obligations made or entered into by the Company and its subsidiaries.

Regulatory Restrictions on Indebtedness

The issuance of long-term debt or equity securities by the Company or long-term debt by AWCC does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. Based on the needs of the Regulated Businesses and parent company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide these borrowings to the Regulated Businesses or parent company. PUC authorization is generally required for the regulated subsidiaries to incur long-term debt. The Company's regulated subsidiaries normally obtain these required PUC authorizations on a periodic basis to cover their anticipated financing needs for a period of time, or, as necessary, in connection with a specific financing or refinancing of debt.

Note 10: Stock Based Compensation

The Company has granted stock units, stock awards and dividend equivalents to non-employee directors, officers and employees pursuant to the terms of the 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"), approved by the Company's shareholders in May 2017. Stock units under the 2017 Omnibus Plan generally vest based on (i) continued employment with the Company ("RSUs"), or (ii) continued employment with the Company where distribution of the shares is subject to the satisfaction in whole or in part of stated performance-based goals ("PSUs"). A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2022, 6.3 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents. Dividend equivalents may be granted only on stock units or other stock-based awards. The 2017 Omnibus Plan expires in 2027.

The Company had granted stock options, stock units, including RSUs and PSUs, and dividend equivalents to non-employee directors, officers and other key employees of the Company under its 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). The 2007 Plan has been replaced by the 2017 Omnibus Plan, as defined

above, and no additional awards may be granted under the 2007 Plan. However, shares may still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

The cost of services received from employees in exchange for the issuance of restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock unit awards at the date of the grant is amortized through expense over the requisite service period. All awards granted in 2022, 2021 and 2020 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. There have been no significant adjustments to the forfeiture rates during 2022, 2021 and 2020. There were no grants of stock options to employees after 2016, and there were no stock options outstanding as of December 31, 2022. Presented in the table below is the stock-based compensation expense recorded in O&M expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2022	2021	2020
RSUs and PSUs	$ 26	$ 15	$ 19
Nonqualified employee stock purchase plan	2	2	2
Stock-based compensation	28	17	21
Income tax benefit	(6)	(4)	(5)
Stock-based compensation expense, net of tax	$ 22	$ 13	$ 16

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2022, 2021 and 2020.

Subject to limitations on deductibility imposed by the Federal income tax code, the Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for stock units. For each award, throughout the requisite service period, the Company records the tax impacts related to compensation costs as deferred income tax assets. The tax deductions in excess of the deferred benefits recorded throughout the requisite service period are recorded to the Consolidated Statements of Operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Units

During 2022, 2021 and 2020, the Company granted RSUs to certain employees under the 2017 Omnibus Plan. RSUs generally vest based on continued employment with the Company over periods ranging from one to three years. The RSUs are valued at the closing price of the Company's common stock on the date of the grant and the majority vest ratably over a three-year service period. These RSUs are amortized through expense over the requisite service period using the straight-line method.

During 2022, 2021 and 2020, the Company granted stock units to non-employee directors under the 2017 Omnibus Plan. The stock units were vested in full on the date of grant; however, distribution of the shares will be made within 30 days of the earlier of (i) 15 months after the date of the last annual meeting of shareholders, subject to any deferral election by the director, or (ii) the participant's separation from service. Because these stock units vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

Presented in the table below is RSU and director stock unit activity for the year ended December 31, 2022:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2021	48	$ 112.22
Granted	59	149.73
Vested	(47)	132.59
Forfeited	(9)	149.60
Non-vested total as of December 31, 2022	51	$ 130.43

As of December 31, 2022, $5 million of total unrecognized compensation cost related to the nonvested RSUs is expected to be recognized over the weighted average remaining life of 1.69 years. The total fair value of stock units and RSUs vested was $6 million, $9 million and $5 million for the years ended December 31, 2022, 2021 and 2020, respectively.

During 2022, 2021 and 2020, the Company granted PSUs to certain employees under the 2017 Omnibus Plan. The majority of PSUs vest ratably based on continued employment with the Company over the three-year performance period (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of one or more internal performance measures and, separately, a relative total shareholder return performance measure, over the Performance Period.

Presented in the table below is PSU activity for the year ended December 31, 2022:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2021	232	$ 139.40
Granted	170	115.12
Vested	(150)	105.11
Forfeited	(21)	148.83
Non-vested total as of December 31, 2022	231	$ 142.92

As of December 31, 2022, $6 million of total unrecognized compensation cost related to the nonvested PSUs is expected to be recognized over the weighted average remaining life of 0.93 years. The total fair value of PSUs vested was $24 million, $22 million and $18 million for the years ended December 31, 2022, 2021 and 2020, respectively.

PSUs granted with one or more internal performance measures are valued at the market value of the closing price of the Company's common stock on the date of grant. PSUs granted with a relative total shareholder return condition are valued using a Monte Carlo simulation model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. Presented in the table below are the weighted average assumptions used in the Monte Carlo simulation and the weighted average grant date fair values of PSUs granted for the years ended December 31:

	2022	2021	2020
Expected volatility	29.69%	28.59%	16.65%
Risk-free interest rate	1.90%	0.22%	1.28%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	$99.23	$229.22	$159.64

The grant date fair value of PSUs that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the "ESPP") that expires in 2027 through which employee participants (which excludes certain of the Company's executives) may use payroll deductions to acquire Company common stock at a purchase price of 85% of the fair market value of the common stock at the end of a three-month purchase period. A total of 2.0 million shares may be issued under the ESPP, and as of December 31, 2022, there were 1.5 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2022, 2021 and 2020, the Company issued approximately 82,000, 80,000 and 86,000 shares, respectively, under the ESPP.

Note 11: Long-Term Debt

The Company obtains long-term debt through AWCC primarily to fund capital expenditures of the Regulated Businesses and to lend funds to parent company to refinance debt and for other purposes. Presented in the table below are the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity	2022	2021
Long-term debt of AWCC: (a)					
Senior notes—fixed rate	2.30%-8.27%	3.88%	2023-2051	$ 9,765	$ 8,965
Private activity bonds and government funded debt—fixed rate	0.60%-2.45%	1.63%	2023-2031	189	190
Long-term debt of other American Water subsidiaries:					
Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.80%	2023-2051	749	739
Mortgage bonds—fixed rate	6.35%-9.19%	7.36%	2023-2039	534	534
Mandatorily redeemable preferred stock	8.47%-9.75%	8.64%	2024-2036	3	4
Finance lease obligations	12.25%	12.25%	2026	—	1
Long-term debt		3.87%		11,240	10,433
Unamortized debt discount, net (b)				(11)	(9)
Unamortized debt issuance costs				(19)	(23)
Less current portion of long-term debt				(281)	(57)
Total long-term debt				$ 10,929	$ 10,344

(a) This indebtedness is considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness.

(b) Includes debt discount, net of fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds and $740 million of the private activity bonds and government funded debt held by the Company's subsidiaries were collateralized as of December 31, 2022.

Long-term debt indentures contain a number of covenants that, among other things, limit, subject to certain exceptions, AWCC from issuing debt secured by the Company's consolidated assets. Certain long-term note indentures require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization (each as defined under the note indentures) of not more than 0.70 to 1.00. The ratio as of December 31, 2022, was 0.62 to 1.00. In addition, the Company has $891 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions, with a weighted average interest rate of 1.87%.

Presented in the table below are future sinking fund payments and debt maturities:

	Amount
2023	$ 281
2024	476
2025	598
2026	443
2027	688
Thereafter	8,754

Presented in the table below are the issuances of long-term debt in 2022:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	4.45%	4.45%	2032	$ 800
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.75%	1.03%	2027-2042	22
Total issuances					$ 822

The Company incurred debt issuance costs of $7 million related to the above issuances.

Presented in the table below are the retirements and redemptions of long-term debt in 2022 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.31%	2.24%	2024-2031	$ 1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.50%	2022-2051	13
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	8.49%	2022	1
Total retirements and redemptions					$ 15

On May 5, 2022, AWCC issued $800 million aggregate principal amount of its 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $792 million. AWCC used the net proceeds of the offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations and minimizes this risk by dealing only with leading, creditworthy financial institutions having long-term credit ratings of "A" or better.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling $400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately $4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022.

In November and December 2022, the Company entered into four 10-year treasury lock agreements, with notional amounts totaling $100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.56%. In January 2023, the Company entered into three additional 10-year treasury lock agreements, with notional amounts totaling $100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.35%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2022, 2021 or 2020.

Note 12: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility, and, in the future, issuances of equity. Additionally, proceeds from the aforementioned sales of HOS and the Company's New York subsidiary have been used primarily for capital investment in the Regulated Businesses. The revolving credit facility provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is October 2027. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods. As of December 31, 2022, AWCC had no outstanding borrowings and $78 million of outstanding letters of credit under the revolving credit facility, with $1.50 billion available to fulfill the Company's short-term liquidity needs and to issue letters of credit. The Company regularly evaluates the capital markets and closely monitors the financial condition of the financial institutions with contractual commitments in its revolving credit facility. Interest rates on advances under the facility are based on a credit spread to the Secured Overnight Financing Rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody Investors Service's and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt.

On October 26, 2022, AWCC and certain lenders amended and restated the credit agreement with respect to the revolving credit facility to, among other things, increase the maximum commitments under the facility from $2.25 billion to $2.75 billion and to extend the expiration date of the facility from March 2025 to October 2027. Also, effective October 26, 2022, the maximum aggregate principal amount of short-term borrowings authorized under AWCC's commercial paper program was increased from $2.10 billion to $2.60 billion.

On March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). The Term Loan Facility commitments terminated at maturity on March 19, 2021, and the $500 million of principal outstanding under the Term Loan

Facility was repaid in full. Borrowings under the Term Loan Facility bore interest at a variable annual rate based on LIBOR, plus a margin of 0.80%.

Short-term debt consists of commercial paper and credit facility borrowings totaling $1,177 million and $584 million as of December 31, 2022 and 2021, respectively, or net of discount $1,175 million and $584 million as of December 31, 2022 and 2021, respectively. The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41%, for the year ended December 31, 2022. The weighted average interest rate on AWCC's outstanding short-term borrowings was 0.20%, for the year ended December 31, 2021. As of December 31, 2022, there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2022		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	$ 1,423	$ 72	$ 1,495

(a) Total remaining availability of $1.50 billion as of December 31, 2022, may be accessed through revolver draws.

	2021		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	$ 1,516	$ 74	$1,590

(a) Total remaining availability of $1.59 billion as of December 31, 2021, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2022 and 2021, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580
Available liquidity as of December 31, 2021	$ 116	$ 1,590	$ 1,706

Presented in the table below is the short-term borrowing activity for AWCC for the years ended December 31:

	2022	2021
Average borrowings	$ 505	$ 910
Maximum borrowings outstanding	1,177	1,647
Weighted average interest rates, as of December 31	4.41%	0.20%

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2022 was 0.62 to 1.00.

None of the Company's borrowings are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under AWCC's revolving credit facility.

Note 13: General Taxes

Presented in the table below are the components of general tax expense for the years ended December 31:

	2022	2021	2020
Property and capital stock	$ 108	$ 149	$ 140
Gross receipts and franchise	124	121	116
Payroll	36	39	36
Other general	13	12	11
Total general taxes	$ 281	$ 321	$ 303

Note 14: Income Taxes

Presented in the table below are the components of income tax expense for the years ended December 31:

	2022	2021	2020
Current income taxes:			
State	$ 26	$ 72	$ 8
Federal	82	75	—
Total current income taxes	$ 108	$ 147	$ 8
Deferred income taxes:			
State	$ 24	$ 10	$ 49
Federal	57	221	159
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	80	230	207
Provision for income taxes	$ 188	$ 377	$ 215

Presented in the table below is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2022	2021	2020
Income tax at statutory rate	21.0%	21.0%	21.0%
Increases (decreases) resulting from:			
State taxes, net of federal taxes	4.1%	3.9%	4.8%
EADIT	(6.5)%	(3.6)%	(2.1)%
Tax impact due to the sale of HOS	—%	1.6%	—%
Other, net	0.1%	0.1%	(0.4)%
Effective tax rate	18.7%	23.0%	23.3%

Presented in the table below are the components of the net deferred tax liability as of December 31:

	2022	2021
Deferred tax assets:		
Advances and contributions	$ 351	$ 439
Tax losses and credits	19	10
Regulatory income tax assets	203	301
Pension and other postretirement benefits	64	50
Other	140	144
Total deferred tax assets	777	944
Valuation allowance	(11)	(10)
Total deferred tax assets, net of allowance	$ 766	$ 934
Deferred tax liabilities:		
Property, plant and equipment	$ 2,872	$ 3,087
Deferred pension and other postretirement benefits	64	69
Other	249	180
Total deferred tax liabilities	3,185	3,336
Total deferred tax liabilities, net of deferred tax assets	$ (2,419)	$ (2,402)

The Company recognized no federal net operating loss ("NOL") carryforwards as of December 31, 2022 and 2021. The Company fully utilized its federal NOL carryforwards in 2021 due to the sale of HOS, and therefore, no valuation allowance is required.

As of December 31, 2022 and 2021, the Company had state NOLs of $240 million and $123 million, respectively, a portion of which are offset by a valuation allowance as the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards expire in 2023 through 2042.

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for years on or before 2015. The Company has state income tax examinations in progress and does not expect material adjustments to result.

Presented in the table below are the changes in gross liability, excluding interest and penalties, for unrecognized tax benefits:

	Amount
Balance as of January 1, 2021	$ 122
Increases in current period tax positions	23
Decreases in prior period measurement of tax positions	(5)
Balance as of December 31, 2021	$ 140
Increases in current period tax positions	26
Decreases in prior period measurement of tax positions	(8)
Balance as of December 31, 2022	$ 158

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. As discussed above, the Company utilized its remaining federal NOLs in 2021, and therefore this federal tax attribute will not be available to reduce the federal liabilities for uncertain tax positions or interest accrued as presented on the Company's Consolidated Financial Statements.

If the Company sustains all of its positions as of December 31, 2022, an unrecognized tax benefit of $10 million, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an immaterial amount of interest and penalties related to its tax positions as of December 31, 2022 and 2021.

Presented in the table below are the changes in the valuation allowance:

	Amount
Balance as of January 1, 2020	$ 21
Decreases in current period tax positions	(2)
Balance as of December 31, 2020	$ 19
Decreases in current period tax positions	(9)
Balance as of December 31, 2021	$ 10
Increases in current period tax positions	1
Balance as of December 31, 2022	$ 11

Note 15: Employee Benefits

Overview of Pension and Other Postretirement Benefits Plans

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001, except for specific eligible groups specified in the plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001, and non-union employees hired on or after January 1, 2006, are provided with a defined contribution plan that includes a 5.25% of base pay Company-funded defined contribution account. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental nonqualified pension plans that provide additional retirement benefits to certain employees.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional cash contributions and/or available prefunding balances if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006 ("PPA"). The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 3—Regulatory Matters for additional information. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

In December 2022, the Company amended the American Water Pension Plan ("AWPP"), a tax-qualified defined benefit pension plan, to restructure it as of December 31, 2022. The restructuring involved the spin-off of certain inactive participants from the existing AWPP into a separate tax-qualified defined benefit pension plan, AWPP Inactive. Benefits offered to the plan participants remain unchanged. Actuarial gains and losses associated with AWPP Inactive will be amortized over the average remaining life expectancy of the inactive participants, which increases the amortization period from approximately 7 years to 18 years. The longer amortization period is expected to lower the Company's pre-tax pension expense by approximately $5 million in 2023. The actuarial gains and losses associated with the AWPP will continue to be amortized over the average remaining service period for active participants. The Company remeasured the pension plan obligation and assets for each plan as of December 31, 2022.

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed funds in the form of separate accounts, commingled funds and limited partnerships, including equities and fixed income securities.

Pension Plan Assets

The investment policy guideline of the pension plan is focused on diversification, improving returns and reducing the volatility of the funded status over a long-term horizon. The investment policy guidelines of the postretirement plans focus on the appropriate strategy given the funded status of the plans. None of the Company's securities are included in pension or other postretirement benefit plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of December 31, 2022, the fair values and asset allocations of the pension plan assets include the AWPP, AWPP Inactive, and the Shorelands Water Company, Inc. Pension Plan.

As a result of the sale of the Company's New York subsidiary on January 1, 2022, there was a transfer of plan assets from the Company to Liberty. The assets transferred were not a significant percentage of the Company's overall pension and other postretirement benefit plans.

Presented in the tables below are the fair values and asset allocations of the pension plan assets as of December 31, 2022 and 2021, respectively, by asset category:

Asset Category	2023 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2022
Cash		$ 36	$ 36	$ —	$ —	3%
Equity securities:	37%					
U.S. large cap		142	142	—	—	10%
U.S. small cap		79	79	—	—	6%
International		386	2	264	120	27%
Real estate fund		154	—	—	154	11%
REITs		6	—	6	—	—%
Fixed income securities:	63%					
U.S. Treasury securities and government bonds		126	119	7	—	9%
Corporate bonds		418	—	418	—	30%
Mortgage-backed securities		8	—	8	—	1%
Municipal bonds		21	—	21	—	1%
Long duration bond fund		3	—	3	—	—%
Guarantee annuity contracts		34	—	—	34	2%
Total	100%	$1,413	$ 378	$ 727	$ 308	100%

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2021
Cash		$ 54	$ 54	$ —	$ —	3%
Equity securities:	50%					
U.S. large cap		217	217	—	—	11%
U.S. small cap		113	113	—	—	6%
International		516	7	354	155	26%
Real estate fund		141	—	—	141	7%
REITs		9	—	9	—	—%
Fixed income securities:	50%					
U.S. Treasury securities and government bonds		256	249	7	—	13%
Corporate bonds		601	—	601	—	30%
Mortgage-backed securities		9	—	9	—	—%
Municipal bonds		25	—	25	—	1%
Long duration bond fund		10	7	3	—	1%
Guarantee annuity contracts		40	—	—	40	2%
Total	100%	$1,991	$ 647	$ 1,008	$ 336	100%

Presented in the tables below are a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for 2022 and 2021, respectively:

	Level 3
Balance as of January 1, 2022	$ 336
Actual return on assets	(1)
Purchases, issuances and settlements, net	(27)
Balance as of December 31, 2022	$ 308

	Level 3
Balance as of January 1, 2021	$ 356
Actual return on assets	41
Purchases, issuances and settlements, net	(61)
Balance as of December 31, 2021	$ 336

Other Postretirement Benefit Plan Assets

The Company's postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns.

Upon evaluating prior plan changes, Company funding and market performance, in December 2022, the Company completed plan amendments to spin-off and merge a portion of the American Water Retiree Welfare Plan ("Retiree Welfare Plan"), with and into the Company's medical plan for active employees ("Active Medical Plan"), in order to repurpose the over-funded portion of the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust. Benefits offered to the plan participants remain unchanged. As a result of these changes, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of Active Medical Plan participants ("Active VEBA"). The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately $194 million of assets for purposes of paying active union employee medical benefits. The Company recorded the transfer of assets as a negative contribution and therefore did not record a gain or loss, as permitted by accounting guidance. See Note 18—Fair Value of Financial Information, for additional information on accounting for the assets as investments in debt and equity securities as of December 31, 2022.

The Company engages third-party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g., fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to long duration fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process. For the Bargained VEBA trust, its asset structure is designed to meet the cash flows of the liabilities. This design reduces the plan's exposure to changes in interest rates.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary. The Retiree Welfare Plan is funded by the Bargained VEBA trust, the Non-Bargained Retiree Voluntary Employees' Beneficiary Association ("Non-Bargained VEBA") trust, and the American Water Life Insurance Voluntary Employees' Beneficiary Association ("Life VEBA") Trust.

Presented in the tables below are the fair values and asset allocations of the postretirement benefit plan assets as of December 31, 2022 and 2021, respectively, by asset category:

Asset Category	2023 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2022
Bargained VEBA:						
Cash		$ 3	$ 3	$ —	$ —	2%
Equity securities:	—%					
U.S. large cap		—	—	—	—	—%
International		—	—	—	—	—%
Fixed income securities:	100%					
U.S. Treasury securities and government bonds		131	72	59	—	97%
Long duration bond fund		1	1	—	—	1%
Total bargained VEBA	100%	$ 135	$ 76	$ 59	$ —	100%
Non-bargained VEBA:						
Cash		$ 1	$ 1	$ —	$ —	1%
Equity securities:	60%					
U.S. large cap		40	40	—	—	34%
International		29	29	—	—	25%
Fixed income securities:	40%					
Core fixed income bond fund (a)		47	—	47	—	40%
Total non-bargained VEBA	100%	$ 117	$ 70	$ 47	$ —	100%
Life VEBA:						
Cash		$ 2	$ 2	$ —	$ —	100%
Equity securities:	—%					
U.S. large cap		—	—	—	—	—%
Fixed income securities:	100%					
Core fixed income bond fund (a)		—	—	—	—	—%
Total life VEBA	100%	$ 2	$ 2	$ —	$ —	100%
Total	100%	$ 254	$ 148	$ 106	$ —	100%

(a) Includes cash for margin requirements.

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of 12/31/2021
Bargained VEBA:						
Cash		$ 10	$ 10	$ —	$ —	3%
Equity securities:	4%					
U.S. large cap		18	18	—	—	5%
International		1	1	—	—	—%
Fixed income securities:	96%					
U.S. Treasury securities and government bonds		363	279	84	—	91%
Long duration bond fund		5	5	—	—	1%
Total bargained VEBA	100%	$ 397	$ 313	$ 84	$ —	100%
Non-bargained VEBA:						
Cash		$ 2	$ 2	$ —	$ —	—%
Equity securities:	60%					
U.S. large cap		54	54	—	—	39%
International		35	35	—	—	25%
Fixed income securities:	40%					
Core fixed income bond fund (a)		49	—	49	—	36%
Total non-bargained VEBA	100%	$ 140	$ 91	$ 49	$ —	100%
Life VEBA:						
Cash		$ 1	$ 1	$ —	$ —	100%
Equity securities:	70%					
U.S. large cap		$ —	$ —	$ —	$ —	—%
Fixed income securities:	30%					
Core fixed income bond fund (a)		—	—	—	—	—%
Total life VEBA	100%	$ 1	$ 1	$ —	$ —	100%
Total	100%	$ 538	$ 405	$ 133	$ —	100%

(a) Includes cash for margin requirements.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities—For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Certain equity securities are valued based on quoted prices in active markets and categorized as Level 1. Other equities, such as international securities held in the pension plan, are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since net asset value is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are categorized as Level 2. For limited partnerships, the assets as a whole are categorized as Level 3 due to the fact that the partnership provides the pricing and the pricing inputs are less readily observable. In addition, the limited partnership vehicle cannot be readily traded.

Fixed-income securities—The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. They are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Exchange-traded options and futures, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1.

Real estate fund—Real estate fund is categorized as Level 3 as the fund uses significant unobservable inputs for fair value measurement and the vehicle is in the form of a limited partnership.

REITs—REITs are invested in commingled funds. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since the net asset value is not directly observable for the commingled funds, they are categorized as Level 2.

Guaranteed annuity contracts—Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily.

Benefit Obligations, Plan Assets and Funded Status

Presented in the table below is a rollforward of the changes in the benefit obligation and plan assets for the two most recent years, for all plans combined:

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Change in benefit obligation:				
Benefit obligation as of January 1,	$ 2,294	$ 2,386	$ 342	$ 382
Service cost	30	36	3	4
Interest cost	64	64	10	10
Plan participants' contributions	—	—	3	2
Plan amendments	—	—	6	—
Actuarial loss (gain)	(582)	(46)	(77)	(26)
Divestiture	(86)	—	(4)	—
Settlements (a)	—	(6)	—	—
Gross benefits paid	(142)	(140)	(28)	(31)
Federal subsidy	—	—	—	1
Benefit obligation as of December 31,	$ 1,578	$ 2,294	$ 255	$ 342
Change in plan assets:				
Fair value of plan assets as of January 1,	$ 1,991	$ 1,990	$ 538	$ 556
Actual return on plan assets	(401)	108	(68)	9
Employer contributions	39	39	12	1
Plan participants' contributions	—	—	3	2
VEBA transfer	—	—	(194)	—
Divestiture	(74)	—	(9)	—
Settlements (a)	—	(6)	—	—
Benefits paid	(142)	(140)	(28)	(30)
Fair value of plan assets as of December 31,	$ 1,413	$ 1,991	$ 254	$ 538
Funded value as of December 31,	$ (165)	$ (303)	$ (1)	$ 196
Amounts recognized on the balance sheet:				
Noncurrent asset	$ 75	$ —	$ —	$ 193
Current liability	(5)	(2)	—	—
Noncurrent liability	(235)	(285)	(1)	(1)
(Liabilities) assets related to assets held for sale (b)	—	(16)	—	4
Net amount recognized	$ (165)	$ (303)	$ (1)	$ 196

(a) The Company paid $6 million of a lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan for the year ended December 31, 2021.

(b) These balances are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale and liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Presented in the table below are the components of accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Net actuarial loss	$ 289	$ 381	$ 45	$ 35
Prior service credit	(10)	(14)	(145)	(186)
Net amount recognized	$ 279	$ 367	$ (100)	$ (151)
Regulatory assets (liabilities)	$ 251	$ 317	$ (100)	$ (151)
Accumulated other comprehensive income	28	50	—	—
Total	$ 279	$ 367	$ (100)	$ (151)

Presented in the tables below are the aggregate projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for pension plans with a projected obligation in excess of plan assets as of December 31, 2022 and 2021:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2022	2021
Projected benefit obligation	$ 872	$ 2,294
Fair value of plan assets	632	1,991

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2022	2021
Accumulated benefit obligation	$ 793	$ 2,138
Fair value of plan assets	632	1,991

The accumulated postretirement plan assets exceed benefit obligations for all of the Company's other postretirement benefit plans, except for the Northern Illinois Retiree Welfare Plan, of which the accumulated postretirement benefit obligation is inconsequential for all periods presented.

Contributions

The PPA requires that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to or greater than the minimum required contributions or the normal cost in 2023 to the qualified pension plans. Contributions may be in the form of cash contributions as well as available prefunding balances.

Presented in the table below is information about the expected cash flows for the pension and postretirement benefit plans:

	Pension Benefits	Other Benefits
2023 expected employer contributions:		
To plan trusts	$ 39	$—
To plan participants	5	—

Estimated Future Benefit Payments

Presented in the table below are the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2023	$ 117	$ 24	$ 1
2024	115	24	1
2025	117	25	1
2026	118	24	1
2027	119	24	1
2028-2032	585	108	3

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Assumptions

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

Presented in the table below are the significant assumptions related to the pension and other postretirement benefit plans:

	Pension Benefits			Other Benefits		
	2022	2021	2020	2022	2021	2020
Weighted average assumptions used to determine December 31 benefit obligations:						
Discount rate	5.58%	2.94%	2.74%	5.60%	2.90%	2.56%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 7.00% in 2023 to 5.00% in 2031+	graded from 6.00% in 2022 to 5.00% in 2026+	graded from 6.25% in 2021 to 5.00% in 2026+
Weighted average assumptions used to determine net periodic cost:						
Discount rate	2.94%	2.74%	3.44%	2.90%	2.56%	3.36%
Expected return on plan assets	6.50%	6.50%	6.50%	3.60%	3.67%	3.68%
Rate of compensation increase	3.51%	3.51%	2.97%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.00% in 2022 to 5.00% in 2026+	graded from 6.25% in 2021 to 5.00% in 2026+	graded from 6.50% in 2020 to 5.00% in 2026+

NOTE "N/A" in the table above means assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns. The Company's pension expense increases as the expected return on assets decreases. The Company used an expected return on plan assets of 6.50% to estimate its 2022 pension benefit costs, and an expected blended return based on weighted assets of 3.60% to estimate its 2022 other postretirement benefit costs.

For the years ended December 31, 2022 and 2021, the Company's mortality assumption utilized the Pri-2012 base mortality table and the new MP-2021 mortality improvement scale. For the year ended December 31, 2020, the Company's mortality assumption utilized the Pri-2012 base mortality table and the MP-2020 mortality improvement scale.

Components of Net Periodic Benefit Cost

Presented in the table below are the components of net periodic benefit costs for the years ended December 31:

	2022	2021	2020
Components of net periodic pension benefit cost:			
Service cost	$ 30	$ 36	$ 31
Interest cost	64	64	73
Expected return on plan assets	(122)	(126)	(111)
Amortization of prior service (credit) cost	(3)	(3)	(3)
Amortization of actuarial loss	21	27	30
Settlements (a)	—	—	1
Net periodic pension benefit cost	$ (10)	$ (2)	$ 21
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial (gain) loss	$ (14)	$ 1	$ 12
Amortization of actuarial loss	(3)	(4)	(3)
Total recognized in other comprehensive income	(17)	(3)	9
Total recognized in net periodic benefit cost and other comprehensive income	$ (27)	$ (5)	$ 30
Components of net periodic other postretirement benefit (credit) cost:			
Service cost	$ 3	$ 4	$ 4
Interest cost	10	10	12
Expected return on plan assets	(19)	(21)	(19)
Amortization of prior service credit	(31)	(32)	(34)
Amortization of actuarial loss	—	—	2
Net periodic other postretirement benefit (credit) cost	$ (37)	$ (39)	$ (35)

(a) Due to the amount of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan, settlement charges of less than $1 million were recorded for the year ended December 31, 2021. In accordance with existing regulatory accounting treatment, the Company has maintained the settlement charge in regulatory assets on the Consolidated Balance Sheets. The amount is being amortized in accordance with existing regulatory practice.

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company's 401(k) savings plan expenses totaled $13 million, $14 million and $12 million for 2022, 2021 and 2020, respectively. Additionally, the Company's 5.25% of base pay defined contribution benefit expenses totaled $16 million, $16 million and $15 million for 2022, 2021 and 2020, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 16: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to $756 million as of December 31, 2022.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Presented in the table below are the future annual commitments related to minimum quantities of purchased water having non-cancelable contracts:

	Amount
2023	$ 68
2024	54
2025	53
2026	52
2027	52
Thereafter	501

The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. See Note 4—Revenue Recognition for additional information regarding the Company's performance obligations.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2022, the Company has accrued approximately $5 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $3 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 16—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive

damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. On August 26, 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 5, 2022 order. The Writ Petition has been supported by an amicus brief filed by certain water and utility industry trade groups. On February 9, 2023, the Supreme Court of Appeals accepted the Writ Petition by issuing a Rule to Show Cause and scheduling oral argument for April 26, 2023.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water

from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order," and, together with the 2009 Order, the "Orders") approving a deadline of December 31, 2021, for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the Orders.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated incurred costs plus AFUDC, subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $206 million in aggregate costs as of December 31, 2022, related to the Water Supply Project, which includes $51 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and in November 2021, Cal Am filed an application with the CPUC that sought review and approval of the amended and restated water purchase agreement. Cal Am also requested rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This requested amount is in addition to, and consistent in regulatory treatment with, the prior $50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

On December 5, 2022, the CPUC issued a final decision that authorizes Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately $62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities.

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision. Cal Am is requesting recovery of its infrastructure costs for the GWR Project expansion that had not been included in the December 2022 final decision. Cal Am believes that the December 2022 final decision is contrary to the CPUC's precedent and that obtaining recovery of these infrastructure costs is a key component of the GWR Project expansion and Cal Am's ability to meet the future water supply needs of its customers in Monterey. This application remains pending.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am's appeal of the City's denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

On October 5, 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

On November 18, 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. On December 29, 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency, and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the MPWSP slant wells. Cal Am is named as a real party in interest. This matter remains pending.

Following the issuance of the coastal development permit, Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2022, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2023 and future years may be impacted by a number of factors, including without limitation continued drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The Orders remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the Orders.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

As of December 31, 2022, $0.5 million of the aggregate Settlement amount of $126 million remains reflected in accrued liabilities, and $0.5 million in an offsetting insurance receivable remains reflected in other current assets on the Consolidated Balance Sheets pending resolution of all asserted actual or potential claims associated with this matter. The amount reflected in accrued liabilities reflects the status of the liability and the offsetting insurance receivable reflected in other current assets, each as of as of December 31, 2022.

Note 17: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations for the years ended December 31:

	2022	2021	2020
Numerator:			
Net income attributable to common shareholders	$ 820	$ 1,263	$ 709
Denominator:			
Weighted average common shares outstanding—Basic	182	182	181
Effect of dilutive common stock equivalents	—	—	1
Weighted average common shares outstanding—Diluted	182	182	182

The effect of dilutive common stock equivalents is related to outstanding stock options, RSUs and PSUs granted under the Company's 2007 Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Plan, as well as estimated shares to be purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2022, 2021 and 2020, because their effect would have been anti-dilutive under the treasury stock method.

Note 18: Fair Value of Financial Information

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Seller promissory note from the sale of HOS—The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note from the sale of HOS is $720 million as of December 31, 2022 and 2021. This amount represents the principal amount owed under the seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the seller note approximated $686 million and $720 million as of December 31, 2022 and 2021, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The seller note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of December 31, 2022				
	Carrying Amount	At Fair Value			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt (excluding finance lease obligations)	11,207	8,599	49	1,427	10,075

	As of December 31, 2021				
	Carrying Amount	At Fair Value			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 4	$ —	$ —	$ 6	$ 6
Long-term debt (excluding finance lease obligations)	10,396	10,121	60	1,637	11,818

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and

liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

Level 3—Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 32	$ —	$ —	$ 32
Rabbi trust investments	21	—	—	21
Deposits	7	—	—	7
Other investments				
Money market and other	61	—	—	61
Fixed-Income Securities	147	6	—	153
Contingent cash payment from the sale of HOS	—	—	72	72
Mark-to-market derivative asset	—	1	—	1
Total assets	268	7	72	347
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total net assets	$ 244	$ 7	$ 72	$ 323

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 21	$ —	$ —	$ 21
Rabbi trust investments	23	—	—	23
Deposits	27	—	—	27
Other investments	17	—	—	17
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	88	—	72	160
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total net assets	$ 61	$ —	$ 72	$ 133

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of treasury lock agreements, classified as cash flow hedges, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments—As a result of the Retiree Welfare Plan changes discussed in Note 15—Employee Benefits, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of the Active VEBA. The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately $194 million of assets for purposes of paying active union employee medical benefits.

The investments in the Active VEBA primarily consist of money market funds and available-for-sale fixed income securities. The money market and other investments have original maturities of three months or less when purchased. The fair value measurement of the money market and other investments is based on observable market prices and therefore included in the recurring fair value measurements hierarchy as Level 1. The available-for-sale fixed income securities are primarily investments in U.S. Treasury securities and government bonds. The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets. Certain U.S. Treasury securities are based on prices that reflect observable market information, such as actual trade information of similar securities, and are therefore categorized as Level 2, because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. The Company includes other investments of $67 million and $147 million in Other current assets and Other long-term assets, respectively, on the Consolidated Balance Sheet as of December 31, 2022. Other investments as of December 31, 2021, are included in other current assets on the Consolidated Balance Sheet.

The fair value of the Company's available-for-sale fixed income securities, summarized by contractual maturities, as of December 31, 2022, is as follows:

	Amount
Other investments—Available-for-sale fixed-income securities	
Less than one year	$ 61
1 year—5 years	79
5 years—10 years	3
Greater than 10 years	10
Total	$ 153

Contingent cash payment from the sale of HOS—The Company's contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other current assets on the Consolidated Balance Sheets. The fair value of the contingent cash payment is $72 million, which is reflective of changes in the benchmark interest rate and estimated using the probability of the outcome of receipt of the $75 million, a Level 3 input.

Note 19: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 37 years, six years, and four years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $145 million and $146 million as of December 31, 2022 and 2021, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $4 million in 2023 through 2027, and $45 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were $12 million, $13 million and $14 million for the years ended December 31, 2022, 2021 and 2020, respectively.

For the year ended December 31, 2022, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, was $12 million. For the year ended December 31, 2022, ROU assets obtained in exchange for new operating lease liabilities was $5 million.

As of December 31, 2022, the weighted-average remaining lease term of the finance lease and operating leases were three years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at December 31, 2022, are $9 million in 2023, $10 million in 2024, $8 million in 2025, $7 million in 2026, $6 million in 2027 and $76 million thereafter. At December 31, 2022, imputed interest was $39 million.

Note 20: Segment Information

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment is the largest

component of the Company's business and includes subsidiaries that provide water and wastewater services to customers in 14 states.

The Company also operates other market-based businesses, primarily MSG, which provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These market-based businesses do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses. The Company's former HOS business, which was sold in the fourth quarter of 2021, was included in "Market-Based Businesses" in the Company's Form 10-K for the year ended December 31, 2021. As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and are shown as Other. Segment results for the years ended December 31, 2021 and 2020, have been adjusted retrospectively to reflect this change.

The accounting policies of the segments are the same as those described in Note 2—Significant Accounting Policies. The Regulated Businesses segment includes intercompany costs that are allocated by Service Company and intercompany interest that is charged by AWCC, both of which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues include the sale of water from a regulated subsidiary to market-based subsidiaries, leased office space, and furniture and equipment provided by the market-based subsidiaries to regulated subsidiaries. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information as of and for the years ended December 31:

	2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,505	$ 287	$ 3,792
Depreciation and amortization	633	16	649
Total operating expenses, net	2,242	277	2,519
Interest expense	(314)	(119)	(433)
Interest income	2	50	52
Gain or (loss) on sale of businesses	—	19	19
Income before income taxes	1,042	(34)	1,008
Provision for income taxes	188	—	188
Net income attributable to common shareholders	854	(34)	820
Total assets	25,038	2,749	27,787
Cash paid for capital expenditures	2,284	13	2,297

	2021		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,384	$ 546	$ 3,930
Depreciation and amortization	601	35	636
Total operating expenses, net	2,227	507	2,734
Interest expense	(290)	(113)	(403)
Interest income	1	3	4
Gain or (loss) on sale of businesses	(1)	748	747
Income before income taxes	962	678	1,640
Provision for income taxes	172	205	377
Net income attributable to common shareholders	789	474	1,263
Total assets	23,365	2,710	26,075
Cash paid for capital expenditures	1,747	17	1,764

	2020		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,255	$ 522	$ 3,777
Depreciation and amortization	562	42	604
Total operating expenses, net	2,102	427	2,529
Interest expense	(293)	(104)	(397)
Interest income	2	—	2
Income before income taxes	932	(8)	924
Provision for income taxes	217	(2)	215
Net income attributable to common shareholders	715	(6)	709
Total assets	22,357	2,409	24,766
Cash paid for capital expenditures	1,804	18	1,822

Note 21: Unaudited Quarterly Data

Presented in the tables below are supplemental, unaudited, consolidated, quarterly financial data for each of the four quarters in the years ended December 31, 2022 and 2021, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2022			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 842	$ 937	$1,082	$ 931
Operating income	246	327	439	261
Net income attributable to common shareholders	158	218	297	147
Basic earnings per share: (a)				
Net income attributable to common shareholders	$0.87	$1.20	$ 1.63	$0.81
Diluted earnings per share:				
Net income attributable to common shareholders	0.87	1.20	1.63	0.81

(a) Amounts may not sum due to rounding.

	2021			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 888	$ 999	$1,092	$ 951
Operating income	229	330	417	220
Net income attributable to common shareholders	133	207	278	645
Basic earnings per share: (a)				
Net income attributable to common shareholders	$0.73	$1.14	$ 1.53	$3.55
Diluted earnings per share:				
Net income attributable to common shareholders	0.73	1.14	1.53	3.55

(a) Amounts may not sum due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer have concluded that, as of December 31, 2022, the Company's disclosure controls and procedures were effective at a reasonable level of assurance. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's Chief Executive Officer and its Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect its transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of its management and its directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, assessed the effectiveness of its internal control over financial reporting, as of December 31, 2022, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the Company's evaluation under the framework in *Internal Control—Integrated Framework (2013)*, its management concluded that its internal control over financial reporting was effective as of December 31, 2022.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during its last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 15, 2023, Karl F. Kurz, the Company's Board Chair, was notified by George MacKenzie that Mr. MacKenzie does not wish to be considered as a candidate for re-election at the Company's 2023 Annual Meeting of Shareholders. Mr. MacKenzie's notification was not due to any known disagreement on any matter relating to the Company's operations, policies or practices. Mr. MacKenzie has been a director of the Company since 2003 and served as Chairman of the Board from 2006 until 2018. He currently serves as a member of the Audit, Finance and Risk Committee and the Nominating/Corporate Governance Committee. The Company wishes to thank Mr. MacKenzie for his many years of service to the Board of Directors.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not set forth below or in Item 1—Business—Executive Officers of this Annual Report on Form 10-K, is incorporated by reference from the Company's Proxy Statement for the 2023 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Board of Directors and Corporate Governance" and "Proposal 1—Election of Directors."

The Company has adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on the Company's website at *https://amwater.com*. The Company intends to post on its website any amendments to the Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2023 Annual Meeting of Shareholders, under the captions entitled "Proposal 1—Election of Directors—Director Compensation Table," "Compensation Discussion and Analysis," "Executive Compensation" (excluding the subsection "Pay Versus Performance"), "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" (with the latter report being furnished, and not filed, in this Annual Report on Form 10-K).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2023 Annual Meeting of Shareholders, under the captions entitled "Certain Beneficial Ownership Matters—Security Ownership of Management," "Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2023 Annual Meeting of Shareholders, under the caption entitled "Board of Directors and Corporate Governance—Board Review of Related Person Transactions" and "Proposal 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2023 Annual Meeting of Shareholders, under the caption entitled "Proposal 4—Ratification of Appointment of Independent Registered Public Accounting Firm—Fees Paid to Independent Registered Public Accounting Firm" and "Proposal 4—Ratification of Appointment of Independent Registered Public Accounting Firm—Pre-Approval of Services Provided by Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents have been filed as a part of this Annual Report on Form 10-K:

1. The financial statements listed in the "Index to Consolidated Financial Statements" contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).

2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.

3. Exhibits. The list of documents contained in "Exhibit Index" is provided in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company's or its subsidiaries' securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1.1#	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among American Water Works Company, Inc., Liberty Utilities (Eastern Water Holdings) Corp. and New York American Water Company, Inc., with respect to the Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
2.2#	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, American (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Works Company, Inc. and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 8, 2022).
4.1	Indenture, dated as of October 22, 2007, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.4	Officers' Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.5	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.6	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).

Exhibit Number	Exhibit Description
4.7	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.8	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.9	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.10	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.11	Officers' Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.12	Officers' Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.13	Officer's Certificate, dated August 9, 2018, establishing the 3.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.14	Officer's Certificate, dated August 9, 2018, establishing the 4.200% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.15	Officers' Certificate, dated May 13, 2019, establishing the 3.450% Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.16	Officers' Certificate, dated May 13, 2019, establishing 4.150% Senior Notes due 2049 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.17	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 2.800% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.18	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 3.450% Senior Notes due 2050 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.19	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).

Exhibit Number	Exhibit Description
4.20	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.21	Officers' Certificate of American Water Capital Corp., dated May 5, 2022, establishing the terms and authorizing the issuance of the 4.450% Senior Notes due 2032 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 5, 2022).
4.22	Description of American Water Works Company, Inc.'s Equity Securities (filed herewith).
4.23	Note Purchase Agreement, dated May 15, 2008, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 19, 2008) with respect to the 6.55% Series H Senior Notes due May 15, 2023.
10.1#	Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed on October 31, 2022).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Offer Letter for Employment, dated as of February 2, 2022, between American Water Works Company, Inc. and M. Susan Hardwick (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 16, 2022).
10.4*	Offer Letter for Employment, dated February 16, 2021, between American Water Works Company, Inc. and Cheryl Norton (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.5*	Offer Letter for Employment, dated January 21, 2022, between American Water Works Company, Inc. and James H. Gallegos (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.6*	Offer Letter for Employment, dated April 27, 2022, between American Water Works Company, Inc. and John C. Griffith (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 27, 2022).
10.7*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).

Exhibit Number	Exhibit Description
10.8*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.8.1*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of June 1, 2018 (incorporated by reference to Exhibit 10.9.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 19, 2019).
10.8.2*	Amendment No. 2019-1 to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as amended and restated, effective as of November 1, 2019 (incorporated by reference to Exhibit 4.1.2 to American Water Works Company, Inc.'s Registration Statement on Form S-8, File No. 333-235598, filed December 19. 2019).
10.9*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.10.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.10.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11*	Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 31, 2018).
10.12.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.12.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.12.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.12.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).

Exhibit Number	Exhibit Description
10.12.5*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.3.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.12.6*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.12.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.2.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.12.8*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.12.9*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.12.10*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.13.1*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.13.2*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.13.3*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.13.4*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant.(incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.5*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.6*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).

Exhibit Number	Exhibit Description
10.13.7*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.8*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.9*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.10*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.13.11*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.13.12*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.13.13*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.13.14*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.13.15*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form B-1 (corrected) (incorporated by reference to Exhibit 10.14.33 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.13.16*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.17*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).

Exhibit Number	Exhibit Description
10.13.18*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.19*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.14 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.20*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.21*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-2 (for CEO and COO) (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.22*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.23*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-1 (as amended) (filed herewith).
10.13.24*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-2 (as amended, for CEO and COO) (filed herewith).
10.13.25*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-3 (as amended, for M. Susan Hardwick) (filed herewith).
10.13.26*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.27*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.28*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.29*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).

Exhibit Number	Exhibit Description
10.13.30*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.13.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 27, 2022).
10.13.32*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Stock Unit Grant Form for Non-Employee Directors elected on December 7, 2022 (filed herewith).
10.14*	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.15*	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.16#*	American Water Works Company, Inc. Pension Plan for Employees, as amended and restated effective December 31, 2022 (filed herewith).
10.17#	Secured Seller Note Agreement, dated December 9, 2021, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
10.18	Revenue Share Agreement, dated December 9, 2021, by and among American Water Works Company, Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC and American Water Resources Holdings, LLC (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
22.1	Guaranteed Securities (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
101.INS	XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

Exhibit Number	Exhibit Description
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

The Stock Purchase Agreement filed as Exhibit 2.1.1, the Membership Interest Purchase Agreement filed as Exhibit 2.2, and the Secured Seller Note Agreement filed as Exhibit 10.17 to this Annual Report on Form 10-K have been included to provide investors and security holders with information regarding the terms of the respective agreements. The filing of these agreements is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the respective agreements (i) were made by the parties thereto only for purposes of that respective agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the respective agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the respective agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the respective agreements instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties to the respective agreements that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties to the respective agreements thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the respective agreements may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The respective agreements should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 15th day of February, 2023.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 15th day of February, 2023, by the following persons in the capacities indicated.

/s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer and Director)

/s/ JEFFREY N. EDWARDS

Jeffrey N. Edwards
(Director)

/s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ MARTHA CLARK GOSS

Martha Clark Goss
(Director)

/s/ MELISSA K. WIKLE

Melissa K. Wikle
Chief Accounting Officer
(Principal Accounting Officer)

/s/ KIMBERLY J. HARRIS

Kimberly J. Harris
(Director)

/s/ LAURIE P. HAVANEC

Laurie P. Havanec
(Director)

/s/ PATRICIA L. KAMPLING

Patricia L. Kampling
(Director)

/s/ JULIA L. JOHNSON

Julia L. Johnson
(Director)

/s/ KARL F. KURZ

Karl F. Kurz
(Board Chair)

/s/ GEORGE MACKENZIE

George MacKenzie
(Director)

/s/ MICHAEL L. MARBERRY

Michael L. Marberry
(Director)

/s/ JAMES G. STAVRIDIS

James G. Stavridis
(Director)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-263068 and 333-253484) and Form S-8 (Nos. 333-235598, 333-219682, 333-217975, 333-168543 and 333-150381) of American Water Works Company, Inc. of our report dated February 15, 2023 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2023

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, M. Susan Hardwick certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2023

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, John C. Griffith, certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2023

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, M. Susan Hardwick, President and Chief Executive Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)
February 15, 2023

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, John C. Griffith, Executive Vice President and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

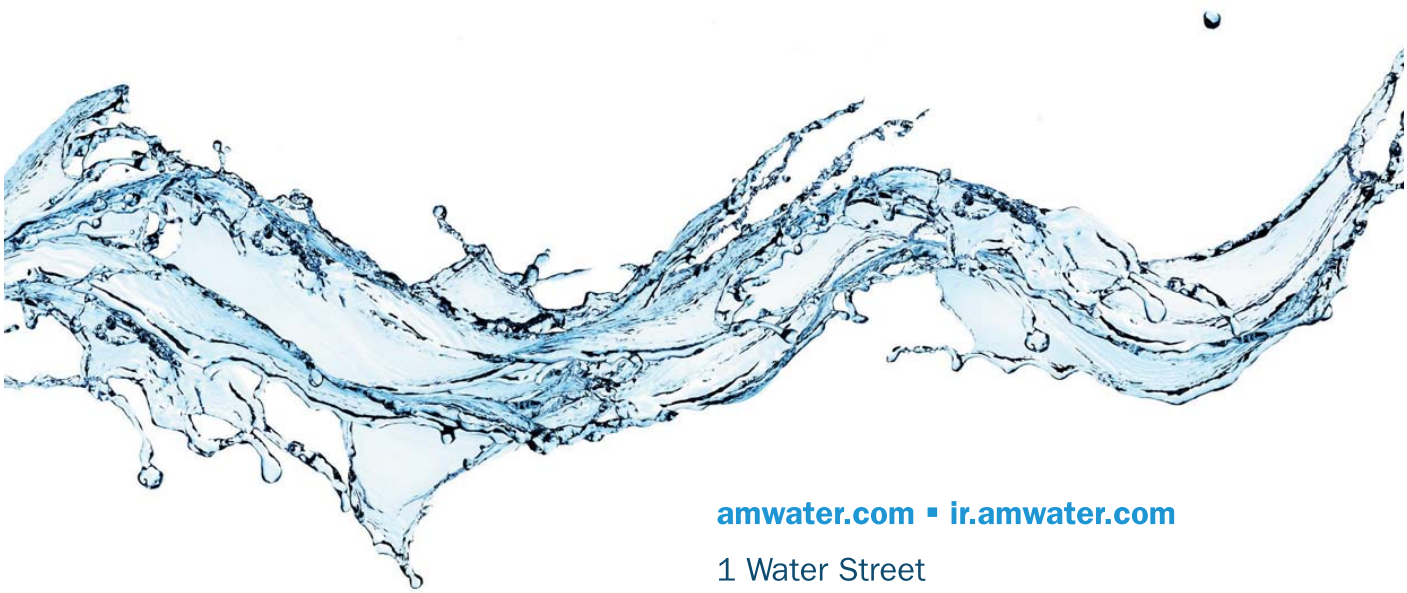
(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
February 15, 2023

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amwater.com ▪ ir.amwater.com

1 Water Street
Camden, NJ 08102-1658

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AMERICAN WATER

WE KEEP LIFE FLOWING®

2023 Annual Report





TO OUR SHAREHOLDERS,

Through changing economic circumstances and the evolving needs of our customers and the communities we serve, American Water and its nearly 6,500 employees deliver consistent and reliable performance for all of our stakeholders. In 2023, we continued that tradition of excellence by focusing on our business fundamentals, leading in customer satisfaction, and operating in the most effective and efficient manner. As always, we remain vigilant in our efforts to meet or exceed existing and emerging water quality standards.

For the five years ended December 31, 2023, our total shareholder return (TSR) was 58 percent, exceeding that of the Philadelphia Utility Sector Index (UTY) (41 percent) and reflecting our significant earnings growth in recent years. Also, our company greatly strengthened its balance sheet with our successful equity issuance in early 2023, providing a solid foundation for capital investment in the years ahead.

Consistent with these excellent results and our expectations for strong future earnings and customer growth, the Board again increased our quarterly dividend in 2023, the 15th consecutive year of increases. Our per share dividend has grown at a compound annual rate of approximately 9.3 percent over the last five years.

These results are an outcome of our commitment and adherence to our company values and sound execution by our dedicated employees of our business strategy. The American Water Board of Directors would like to thank our shareholders for their continued trust and support. Please plan to join our virtual Annual Meeting of Shareholders at 10:00 a.m. Eastern Time on Wednesday, May 15, 2024.

Sincerely,

KARL F. KURZ
Board Chair



5-YEAR TOTAL SHAREHOLDER RETURN



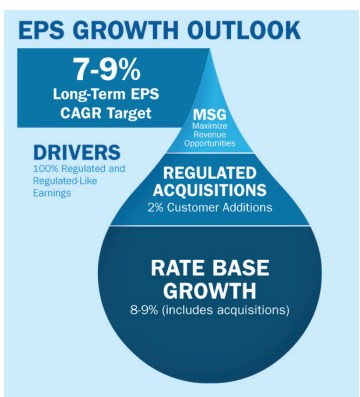


DEAR FELLOW SHAREHOLDERS,

As we share American Water's 2023 achievements and work to sustain and improve upon them in the future, you will see that we remain committed to our mission to provide clean, safe, reliable and affordable water and wastewater services. A mission that we believe will make a positive impact on communities for generations.

Through our disciplined approach to capital investment and regulatory execution, we continue to offer shareholders a compelling growth opportunity while helping to address water and wastewater challenges across the country.

Illustrating our future outlook, our growth waterdrop portrays how you, our shareholders, can expect American Water to consistently execute for the long term. Rate base growth is at the foundation of our earnings growth story, combined with a robust regulated acquisition strategy and organic growth from our Military Services Group – all resulting in an expected 7 to 9 percent compounded long-term earnings growth rate.



In 2023, our capital investment totaled $2.7 billion, and we are well on track to deliver $3.1 billion in investments in 2024. American Water is making these critical and needed investments as we stay keenly focused on customer affordability. Key to that focus is our culture of continuous improvement and a belief we can always find better, more efficient ways to work.

Enabling our growth is a true competitive advantage that stems from American Water's diverse regulated operations across 14 states. This results in flexibility in capital deployment, mitigation of risk around weather variability impacts, and the use of best practices across our diverse operating footprint.

We also successfully completed an equity issuance in 2023 that strengthened our balance sheet to support our robust long-term capital plan. The success of this issuance provides yet another indicator that the American Water investment thesis remains strong and reflects the leadership role we play in the utility sector.

Our leadership role extends to strengthening our partnerships with communities that are increasingly grappling with the future of water quality, quantity and reliability challenges, including lead, copper, and the presence of PFAS in drinking water. This includes lending our expertise to drinking water standards that protect public health and advocating for sound policy that aids our industry in achieving compliance for the benefit of customers.

Our future growth prospects are even more impactful as our shareholders consider American Water's commitment to sustainable business practices. Our most recent Sustainability Report, issued in 2023, highlights our understanding of the impact that our operations have on the environment and society and our role as stewards of the most precious and essential natural resource: water. American Water's efforts have been recognized as one of Newsweek's World's Most Trustworthy Companies 2023, Newsweek's America's Most Responsible Companies 2024, and inclusion in the top 10 percent of America's Most JUST Companies by JUST Capital and CNBC, among others.

American Water has had the privilege of serving customers and communities across the nation for more than 135 years. We celebrated our journey as a publicly traded company at the New York Stock Exchange last September. Our team's dedication and hard work, as well as the trust our shareholders place in us, are a testament to our success. Recently, American Water was also recognized by Forbes ranking as the number one utility on their America's Best Large Employers 2024 list. We are grateful to our employees for their contributions, and we are honored to work with a team that cares for our customers and each other.

We believe the combination of our earnings and dividend growth, supported by our significant, low-risk, capital investment plan, and our focus on customer affordability and ESG leadership, will continue to be rewarded by our investors. Based on our long-term plan and our history of executing our strategies, we intend to continue to deliver a very competitive, sustainable shareholder return for many years to come.



We are proud of what we have achieved in 2023 and glad you have chosen to invest in American Water. We thank you for your continued support.

Sincerely,

M. SUSAN HARDWICK
President and Chief Executive Officer





COMPANY INFORMATION

AUDIT FIRM AND TRANSFER AGENT

Independent Registered Public Accounting Firm
PricewaterhouseCoopers LLP
Two Commerce Square
2001 Market Street, Suite 1800
Philadelphia, PA 19103-7042

Stock Transfer Agent
Equiniti Trust Company, LLC
55 Challenger Road, Second Floor
Ridgefield Park, NJ 07660
Phone: 1-800-937-5449

BOARD OF DIRECTORS

M. Susan Hardwick
President and Chief Executive Officer,
American Water Works Company, Inc.

Karl F. Kurz
Non-Executive Board Chair
Former Chief Operating Officer,
Anadarko Petroleum Corporation

Jeffrey N. Edwards
Director
Vice Chairman, New Vernon Capital

Martha Clark Goss
Director
Former Chief Operating Officer
and Chief Financial Officer, Amwell Holdings/
Hopewell Holdings, LLC

Kimberly J. Harris
Director
Former President and Chief Executive Officer,
Puget Energy, Inc. and Puget Sound Energy, Inc.

Laurie P. Havanec
Director
Executive Vice President and Chief People Officer,
CVS Health Corporation

Julia L. Johnson
Director
President, Net Communications, LLC

Patricia L. Kampling
Director
Former Chairman and Chief Executive Officer,
Alliant Energy Corporation

Michael L. Marberry
Director
Former President and Chief Executive Officer,
J. M. Huber Corporation

INQUIRIES

Shareholders with questions, or those who wish to obtain a copy of the company's reports filed with the Securities and Exchange Commission without charge, should visit American Water's Investor Relations page at https://ir.amwater.com

SHAREHOLDER INFORMATION

	12/31/18	12/31/19	12/31/20	12/31/21	12/30/22	12/29/23	TSR 5 year
American Water Works Company, Inc.	$ 100.00	$ 137.78	$ 174.81	$ 218.19	$ 179.16	$ 158.24	**58.2%**
PHLX Utility Sector Index	$ 100.00	$ 126.82	$ 130.27	$ 154.04	$ 155.04	$ 140.83	**40.8%**
S&P 500 Index	$ 100.00	$ 131.49	$ 155.68	$ 200.37	$ 164.08	$ 207.21	**107.2%**

Investor Relations
1 Water Street
Camden, NJ 08102-1658
Investor Relations Line: 856-566-4005
Email: ir@amwater.com

Corporate Headquarters
1 Water Street
Camden, NJ 08102-1658
Phone: 856-955-4001
https://amwater.com

Stock Market
Common stock of American Water Works Company, Inc. is traded on the New York Stock Exchange (NYSE) under the symbol AWK.

Annual Meeting
The 2024 annual meeting of shareholders is scheduled for 10:00 a.m. ET on Wednesday, May 15, 2024, to be held virtually (and not at a physical location). All holders of our outstanding common stock at the close of business on March 18, 2024, are entitled to notice of, and to vote at, the meeting. Notice of the meeting and proxy materials will be distributed to shareholders and accessible to the public on our Investor Relations page at https://ir.amwater.com. Management encourages all investors to have their votes counted at the annual meeting.

Executive Certifications
American Water has included as exhibits to its 2023 Annual Report on Form 10-K filed with the Securities and Exchange Commission certifications of the chief executive officer and chief financial officer of the company regarding the company's public disclosures contained therein. The company also provides annually to the NYSE a certificate of the CEO certifying that, among other things, it is not aware of any violation by the company of NYSE corporate listing standards.

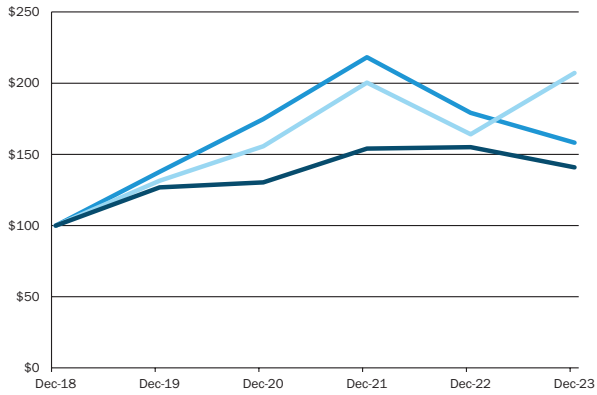
Dividends
Dividends paid on the company's common stock in 2023 were:

March 1, 2023	$0.6550
June 1, 2023	$0.7075
September 1, 2023	$0.7075
December 1, 2023	$0.7075

Stock Performance Graph
The graph below compares the cumulative total return on American Water's common stock with the cumulative total return of the Standard & Poor's 500 Index and the PHLX Utility Sector Index from December 31, 2018, through December 29, 2023. The comparison assumes $100 was invested on December 31, 2018, and that dividends were reinvested.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

Among American Water Works Company, Inc., the S&P 500 Index, and the PHLX Utility Sector Index



- **American Water Works Company, Inc.**
- **S&P 500 Index**
- **PHLX Utility Sector Index**

*$100 invested in each security on 12/31/2018, assumes reinvestment of dividends. Fiscal year ending December 31.

Source of data: FactSet.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, $0.01 par value—$24,527,200,000 as of June 30, 2023 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2023, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2023, to be controlled by, or under common control with, American Water or any such persons in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, $0.01 par value per share—194,755,320 shares as of February 6, 2024.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2024 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2023 are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

Statements included in Item 1—Business, Item 1A—Risk Factors, and Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this Annual Report on Form 10-K, or incorporated by reference therein, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company's future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company's ability to execute its current and long-term business, operational, capital expenditures and growth plans and strategies; the timing and outcome of pending or future acquisition activity, and the ability to achieve organic customer growth; the ability of the Company's California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount, allocation and timing of projected capital expenditures and related funding requirements; the Company's ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company's ability to finance current and projected operations, capital expenditure needs and growth initiatives by accessing the debt and equity capital markets and sources of short-term liquidity; the outcome and impact on the Company of governmental and regulatory investigations and proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company's stated environmental and sustainability goals, including its greenhouse gas ("GHG") emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the Company's ability to comply with new and changing environmental regulations; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company's actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the factors discussed under Item 1A—Risk Factors, and the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;

- a loss of one or more large industrial or commercial customers due to adverse economic conditions, or other factors;
- present and future proposed changes in laws, governmental regulations and policies, including with respect to the environment (such as, for example, potential improvements to existing Federal regulations with respect to lead and copper service lines and galvanized steel pipe), health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern (including without limitation per- and polyfluoroalkyl substances ("PFAS")), public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain, update, redesign and/or replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means, and impacts from required or voluntary public and other disclosures related thereto;
- the Company's ability to obtain permits and other approvals for projects and construction, update, redesign and/or replacement of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies, and the Company's ability to create, maintain and promote initiatives and programs that support the affordability of the Company's regulated utility services;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
    - acquiring, closing and successfully integrating regulated operations;
    - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts, with the U.S. government; and
    - realizing anticipated benefits and synergies from new acquisitions;

- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS"), including:
  - the Company's ability to receive amounts due, payable and owing to the Company under the amended secured seller note when due; and
  - the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and regulations, including those enacted or adopted and under consideration, and the substances related thereto, including without limitation lead and galvanized steel, PFAS and other contaminants of emerging concern, and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company's ability to address or mitigate the impacts thereof;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation or regulations (including without limitation impacts related to the Corporate Alternative Minimum Tax), and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, including without limitation litigation and other proceedings with respect to the water system assets of the Company's California subsidiary ("Cal Am") located in Monterey, California (the "Monterey system assets"), or the assertion by private landowners of similar rights against such utility subsidiaries;

- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and/or diverse talent;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements contained in this Annual Report on Form 10-K, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Annual Report on Form 10-K was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I

ITEM 1. BUSINESS

The Company

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, the Company employs approximately 6,500 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company conducts the majority of its business through regulated utilities that provide water and wastewater services, collectively presented as one reportable segment, referred to as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. Individually, these other businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses.

Throughout this Annual Report on Form 10-K, unless the context otherwise requires, references to "we," "us," "our," the "Company," and "American Water" mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries.

Regulated Businesses

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. The Company's utilities operate in approximately 1,700 communities in 14 states in the United States, with 3.5 million active customers in its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). Federal, state and local governments also regulate environmental, health and safety, and water quality and water accountability matters. The Company reports the results of the services provided by its utilities in the Regulated Businesses segment. Operating revenues for the Regulated Businesses were $3,920 million for 2023, $3,505 million for 2022 and $3,384 million for 2021, accounting for 93%, 92% and 86%, respectively, of the Company's total operating revenues for the same periods.

Presented in the table below is a geographic summary of the Regulated Businesses' operating revenues and the number of customers the Company serves, by type of service, for and as of the year ended December 31, 2023:

	Operating Revenues (in millions)				Number of Customers (in thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
Pennsylvania	$ 810	$ 155	$ 965	24.6%	683	98	781	22.4%
New Jersey	908	57	965	24.6%	668	64	732	21.0%
Missouri	430	20	450	11.5%	483	24	507	14.5%
Illinois	366	61	427	10.9%	299	72	371	10.6%
California	300	4	304	7.8%	190	3	193	5.5%
Total—Top Five States (b)	2,814	297	3,111	79.4%	2,323	261	2,584	74.1%
Other (c)	779	30	809	20.6%	865	37	902	25.9%
Total Regulated Businesses	$3,593	$ 327	$3,920	100.0%	3,188	298	3,486	100.0%

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(b) The Company's "Top Five States" are determined based upon operating revenues.

(c) Includes the Company's utility operations in the following states: Georgia, Hawaii, Indiana, Iowa, Kentucky, Maryland, Tennessee, Virginia and West Virginia and other revenue attributable collectively to the Regulated Businesses.

Customers

The Company's Regulated Businesses have a large and geographically diverse customer base. A customer is defined as a person, business, municipality or any other entity that purchases the Company's water or wastewater services as of the last business day of a reporting period. One single customer may purchase the Company's services for use by multiple individuals or businesses. Examples of these customers are homes, apartment complexes, businesses and governmental entities.

The vast majority of the Company's regulated water customers are metered, which allows the Company to measure and bill for its customers' water usage, typically on a monthly basis. The Company employs a variety of methods of customer meter reading to monitor consumption. These methods range from meters with mechanical registers where consumption is manually recorded by meter readers, to meters with electronic registers capable of transmitting consumption data to proximity devices or via radio frequency to mobile or fixed network data collectors. The Company's wastewater customers are billed either a flat rate or based upon their water consumption.

Residential customers make up a substantial portion of the Company's customer base in all of the states in which it operates. The Company also serves (i) commercial customers, such as food and beverage providers, commercial property developers and proprietors, and energy suppliers, (ii) fire service customers, where the Company supplies water through its distribution systems to public fire hydrants for firefighting purposes and to private fire customers for use in fire suppression systems in office buildings and other facilities, (iii) industrial customers, such as large-scale manufacturers, mining and production operations, (iv) public authorities, such as government buildings and other public sector facilities, including schools and universities, and (v) other utilities and community water and wastewater systems in the form of bulk contracts for the supply of water or the treatment of wastewater for their own customers.

Presented in the table below is a breakout of the Company's Regulated Businesses' operating revenue by class of customer, for the years ended December 31, 2023, 2022 and 2021:

	2023		2022		2021	
(In millions)	**Revenue**	**Percentage of Revenue**	**Revenue**	**Percentage of Revenue**	**Revenue**	**Percentage of Revenue**
Water services:						
Residential	$2,143	55%	$1,941	55%	$1,935	57%
Commercial	798	20%	710	20%	676	20%
Fire service	158	4%	147	4%	151	5%
Industrial	167	4%	153	4%	141	4%
Public and other water (a)	284	7%	267	8%	239	7%
Wastewater	327	8%	242	7%	208	6%
Other (b)	43	2%	45	2%	34	1%
Total	$3,920	100%	$3,505	100%	$3,384	100%

(a) Includes water revenues from public authorities and other utilities, community water systems under bulk contracts and alternative revenue programs.

(b) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

Presented in the table below is the number of water and wastewater customers the Company's Regulated Businesses' served by class of customer as of December 31, 2023, 2022 and 2021, which represents approximately 14 million people served as of December 31, 2023:

	2023		2022		2021	
(In thousands)	**Water**	**Wastewater**	**Water**	**Wastewater**	**Water**	**Wastewater**
Residential	2,893	279	2,870	270	2,972	245
Commercial	221	18	219	17	225	15
Fire service	4	—	51	—	52	—
Industrial	52	—	4	—	4	—
Public and other (a)	18	1	17	1	16	1
Total (b)	3,188	298	3,161	288	3,269	261

(a) Includes public authorities and other utilities and community water and wastewater systems under bulk contracts. Bulk contracts, which are accounted for as a single customer in the table above, generally result in service to multiple customers.

(b) The Company completed the sale of its New York subsidiary on January 1, 2022 and the sale of its Michigan subsidiary on February 4, 2022.

Customer growth in the Company's Regulated Businesses is primarily from (i) adding new customers to its customer base through acquisitions of water and/or wastewater utility systems, (ii) population growth in its authorized service areas, and (iii) sale of water to other water utilities and community water systems.

Capital Investment

The Company plans to invest between $34 billion and $38 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses' water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. The Company has proactively improved its pipe renewal rate from a 250-year replacement cycle in 2009 to an approximate 125-year replacement cycle by 2028, which it anticipates will enable the Company to replace nearly 2,000 miles of mains and collection pipes between 2024 and 2028. In addition, from 2024 to 2028, the Company's capital investment in treatment plants, storage tanks and other key, above-ground facilities is expected to increase, further seeking to address infrastructure renewal, resiliency, water quality, operational efficiency, technology and innovation, and emerging regulatory compliance needs. The Company continues to invest significantly in resiliency projects to address the impacts of climate and weather variability by hardening its assets.

Regulation and Rate Making

The operations of the Company's Regulated Businesses are generally subject to regulation by PUCs in the states in which they operate, with the primary responsibility of the PUCs being the promotion of the overall public interest by balancing the interest of customers and utility investors. Specific authority might differ from state to state, but in most states, PUCs review and approve rates charged to customers, accounting treatments, long-term financing programs and cost of capital, operation and maintenance ("O&M") expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers and acquisitions, and dispositions, along with imposing certain penalties or granting certain incentives. Regulatory policies vary from state to state and can change over time. These policies will affect the timing, as well as the extent, of recovery of expenses and the realized return on invested capital.

Periodic changes in customer rates generally occur through the filing of a rate case by the utility with the PUC. The timing of rate case filings is typically determined by either periodic requirements in the regulatory jurisdiction or by the utility's need to increase its revenue requirement to recover capital investment costs, changes in operating revenues, operating costs or other market conditions. The Company attempts to minimize "regulatory lag," which is the time between the occurrence of an event that triggers a change in the utility's revenue requirement and the recognition in rates of that change.

The Company's Regulated Businesses support regulatory practices at the PUCs and state legislatures that mitigate the adverse impact of regulatory lag. Presented in the table below are examples of approved regulatory practices:

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharge mechanisms	Allows rates to change periodically, outside a general rate case proceeding, to reflect recovery of capital investments made to replace infrastructure necessary to sustain safe and reliable services for the Company's customers. These mechanisms typically involve periodic filings and reviews to ensure transparency.	IA, IL, IN, KY, MO, NJ, PA, TN, VA, WV
Future test year	A "test year" is a period used for setting rates, and a future test year describes the first 12 months that new rates are proposed to be effective. The use of a future test year allows current or projected revenues, expenses and capital investments to be collected on a more timely basis.	CA, HI, IA, IL, IN, KY, PA, TN, VA
Hybrid test year	A historical test year sets rates using data from a 12-month period that ends prior to a general rate case filing. A hybrid test year allows an update to historical data for "known and measurable" changes that occur subsequent to the historical test year.	MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction ("AFUDC"). In addition, some states allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudency of such projects.	CA, IL, KY, PA, TN, VA
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility's control, to be recovered outside of a general rate case proceeding or deferred until the next general rate case proceeding.	CA, HI, IL, IN, MD, MO, NJ, PA, TN, VA
Revenue stability mechanisms	Adjusts rates periodically to ensure that a utility recovers the revenues authorized in its general rate case, regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently.	CA, IL
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state, and is generally used to moderate the price impact of periodic fluctuations in local costs, while lowering administrative costs for customers. Pennsylvania and West Virginia also permit a blending of water and wastewater revenue requirements.	CA, IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV
Deferred accounting	A regulator's willingness to defer recognition of financial impacts when setting rates for utilities.	All

The Company pursues enhancements to these regulatory practices to facilitate efficient recovery of its costs and capital investments and to continue to provide safe, clean, reliable and affordable services to its customers. The ability to seek regulatory treatment using the regulatory practices described above does not guarantee that the PUCs will accept the Company's proposal in the context of a particular rate case, and these regulatory practices may reduce, but not eliminate, regulatory lag associated with traditional rate making processes. It is also the Company's strategy to expand the use of these mechanisms in areas where they may not currently apply and enhance certain mechanisms where they already exist.

Acquisitions and Strategic Growth

The U.S. water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. According to the most recent study by the U.S. Environmental Protection Agency ("EPA"), as of 2017, approximately 84% of the water market is served by municipal systems and approximately 98% of the country's wastewater systems are government owned. The EPA also estimates, as of 2017, that there are over 50,000 community water systems and over 15,000 community wastewater systems in the United States, with approximately 80% of the community water systems serving a population of 3,000 or less.

A fundamental aspect of the Company's growth strategy is to pursue acquisitions of water and/or wastewater systems in geographic proximity to areas where the Company operates its Regulated Businesses, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information. The proximity of acquisition opportunities to the Company's regulated footprint allows it to integrate and manage the acquired systems and operations primarily using the Company's existing management (although the Company typically retains the majority, if not all, of the employees of the acquired systems) and to achieve operational efficiencies and prioritize capital investment needs. The Company's current customer mix of 91% water and 9% wastewater also presents strategic opportunities for wastewater growth and consolidation, allowing the Company to add wastewater customers where it already serves water customers. The Company intends to continue to expand its regulated footprint geographically by acquiring water and wastewater systems in its existing markets and, if appropriate, pursuing acquisition opportunities in certain domestic markets where the Company does not currently operate its Regulated Businesses. Before entering new regulated markets, the Company will evaluate the business and regulatory climates to ensure that it will have the opportunity to achieve an appropriate rate of return on its investment while maintaining its high standards for providing safe, reliable and affordable services to its customers. The Company will also evaluate whether there is a line of sight to grow to sufficient scale in a new regulated market so that it can attain efficiencies and promote customer affordability after entering a new domestic market.

Increasingly stringent environmental, health and safety, cybersecurity and water quality and water accountability regulations, the amount of infrastructure in need of significant capital investment, financial challenges and industry legislation are several elements, among others, that may drive more municipalities to consider selling their water and wastewater assets.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York.

Industry Legislation

In 2020 and 2021, the United States Congress passed, and the President signed into law, legislation with water and wastewater provisions including the Infrastructure Investment and Jobs Act (the "IIJA"), the

Consolidated Appropriations Act of 2021 and the American Rescue Plan of 2021. The legislation provided funding for a variety of initiatives to support water and wastewater infrastructure, lead service line replacement, treatment of PFAS and other contaminants of emerging concern, and low-income water assistance ("LIHWAP"). LIHWAP expired in 2023.

The Company's regulated subsidiaries in New Jersey, Indiana, and Missouri have versions of water quality or safety accountability acts which require operational or safety and security standards for water and wastewater utilities serving a certain number of customers. In New Jersey, the law imposes requirements in areas such as asset management, water quality reporting, remediation of notices of violation, hydrant and valve maintenance and cybersecurity. In Indiana, the law requires water and wastewater utilities to conduct rate analyses, develop capital asset management plans and conduct cybersecurity and water loss audits. In Missouri, the act requires water and wastewater utilities to create cybersecurity, valve inspection and hydrant inspection programs.

The Company's regulated subsidiaries in California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia have access to utility valuation legislation and regulation for private sector investment in public sector water and wastewater systems. The Company supports full optionality for municipalities, including state legislation that enables the consolidation of the largely fragmented water and wastewater industries through third-party fair market valuations of purchased property. Fair market value assessment of water and wastewater systems is an alternative to the traditional depreciated original cost method of valuation, which allows the Company to offer municipalities a purchase price for their system assets that is reflective of the assets' fair market value, while providing the Company with increased opportunity to recover the purchase price over the life of the purchased system assets, subject to PUC approval. In 2021, the Tennessee Public Utility Commission implemented acquisition valuation rules that include a methodology to value water and wastewater assets based upon the new replacement cost of the assets less the depreciation, in addition to other valuation methodology options.

Consolidated tariffs use a unified rate structure for systems owned and operated by a single utility, which may or may not be physically interconnected. Consolidated tariff pricing moderates the impact of periodic fluctuations in local costs and promotes a more universal water infrastructure investment in a jurisdiction. As a result, consolidated tariffs can make it easier to incorporate new systems into an existing utility, support economies of scale for even the smallest of systems and prioritize capital needs across the jurisdiction. Overall, the Company believes that consolidated tariffs bring cost-effective, high-quality services to a larger number of customers. Eleven of the Company's regulated jurisdictions currently have some form of consolidated tariff pricing, including California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Virginia and West Virginia.

Competition

The Company's Regulated Businesses generally do not face direct competition in their existing markets because (i) the Company operates in those markets pursuant to franchises, charters, certificates of public convenience and necessity or similar authorizations (collectively, "CPCNs") issued by state PUCs or other authorities, and (ii) the high cost of constructing a new water and wastewater system in an existing market creates a significant barrier to market entry. However, the Company's Regulated Businesses do face increasing competition from governmental agencies, other investor-owned utilities, large industrial customers with the ability to provide their own water supply/treatment process and strategic buyers that are entering new markets and/or making strategic acquisitions. When pursuing acquisitions, the Company's largest investor-owned competitors, based on a comparison of operating revenues and population served, include Essential Utilities, Inc., American States Water Company and California Water Service Group. From time to time, the Company also faces competition from infrastructure funds, multi-utility companies and others, such as Algonquin Power and Utilities Corp., Eversource Energy, SouthWest Water Company and Corix Infrastructure, Inc.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original CPCN was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or the jurisdiction of the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary ("Cal Am") are the subject of a potential condemnation action by the Monterey Peninsula Water Management District (the "MPWMD") stemming from a November 2018 public ballot initiative. For more information on this matter, see Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets—Potential Condemnation.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, for example, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Water Supply and Wastewater Services

The Company's Regulated Businesses generally own the physical assets used to store, pump, treat and deliver water to its customers and collect, treat, transport and recycle wastewater. Typically, the Company does not own the water, which is held in public trust and is allocated to the Company through contracts, permits and allocation rights granted by federal and state or multi-state agencies or through the ownership of water rights pursuant to local law. The Company is dependent on defined sources of water supply and obtains its water supply from surface water sources such as reservoirs, lakes, rivers and streams; from groundwater sources, such as wells and aquifers; and water purchased from third-party water suppliers. The level of water treatment the Company applies varies significantly depending upon the quality of the water source and customer stipulations. Surface water sources typically require significant treatment, while groundwater sources often require chemical treatment only.

Presented in the table below are the percentages of water supply by source type for the Company's Top Five States individually and the Regulated Businesses collectively for the year ended December 31, 2023:

	Surface Water	Ground Water	Purchased Water
New Jersey	74%	20%	6%
Pennsylvania	91%	7%	2%
Missouri	84%	15%	1%
Illinois	55%	35%	10%
California	—%	67%	33%
Regulated Businesses	71%	22%	7%

The Company's ability to meet the existing and future water demands of its customers depends on an adequate water supply. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. The Company employs a variety of measures in an effort to obtain adequate sources of water supply, both in the short-term and over the long-term. The geographic diversity of the Company's service areas may mitigate some of the economic effects on the water supply associated with weather extremes the Company might encounter in any particular service territory. For example, in any given summer, some areas may experience drier than average weather, which may reduce the amount of source water available, while other areas the Company serves may experience wetter than average weather.

The Company evaluates quality, quantity, growth needs and alternate sources of water supply as well as transmission and distribution capacity to provide water service to its customers. Water supply is seasonal in nature and weather conditions can have a pronounced effect on supply. In order to ensure that the Company has adequate water supply, it uses long-term planning processes and maintains contingency plans to minimize the potential impact on service caused by climate variability and a wide range of weather fluctuations. The Company reviews current climate science and global models related to temperature, precipitation and sea level rise on an ongoing basis. Where actionable forecasts are available, the Company will use this information in its comprehensive planning studies and asset management plans. These studies and plans, which are used by the Company to develop its asset management and system reliability strategies, assess the climate risk and resiliency of the Company's water and wastewater systems over short-, medium- and long-term time horizons, and include evaluations of the availability of water supplies and system capacity against a number of different factors, projections and estimates.

In connection with supply planning for most surface or groundwater sources, the Company employs models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored so that supply capacity deficits may, to the extent possible, be predicted and mitigated through demand management and additional supply development. In California, where the state has recently experienced a multi-year drought, the Company utilizes multiple water supply options including numerous ground water wells in multiple aquifers as well as various long-term purchase water agreements with regional water suppliers to optimize supplies while assuring resiliency during dry years. An example of the Company's use of long-term planning to ensure that it has adequate water supply is its involvement in the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water (formerly known as the Monterey Regional Water Pollution Control Agency) and the MPWMD. The Water Supply Project is intended, among other things, to fulfill obligations of Cal Am to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB"). For more information, see Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions and Note 16—Commitments and Contingencies—Contingencies—Alternative Water Supply in Lieu of Carmel River Diversions, in the Notes to the Consolidated Financial Statements.

Wastewater services involve the collection of wastewater from customers' premises through sewer lines. The wastewater is then transported through a sewer network to a treatment facility, where it is treated to meet required regulatory standards for wastewater before being returned to the environment. The solid waste by-product of the treatment process is disposed of or recycled in accordance with applicable standards and regulations.

Seasonality

Customer demand for the Company's water service is affected by weather and tends to vary with temperature and amount and frequency of rainfall. Customer demand is generally greater during the warmer months, primarily due to increased water usage for irrigation systems and other outdoor water use. As such, the

Company typically expects its operating revenues to be the highest in the third quarter of each year. Weather that is warmer and/or drier than average generally increases operating revenues, whereas, weather that is cooler and/or wetter than average generally suppresses customer water demand and can reduce water operating revenues. Two of the Company's jurisdictions, California and Illinois, have adopted revenue stability mechanisms which permit the Company to collect state PUC-authorized revenue for a given period that is not tied to the volume of water sold during that period, thereby lessening the impact of weather variability. See—Regulation and Rate Making for additional information regarding revenue stability mechanisms.

Affordability

The Company supports the United Nations' declaration of access to clean water and sanitation as a human right, regardless of economic status. As a water utility, the Company's water must be safe, efficient, reliable, accessible and affordable. Through increased efficiency, conservation and low-income support programs, on average across the enterprise, the Company consistently achieves water costs that are significantly below the EPA's suggested guidance of 2% of household income. Succeeding in water affordability positively affects the health and safety of the Company's customers and contributes to the economic prosperity of the communities in which it operates.

The Company's approach to water access and affordability consists of two key strategies. The first is to supply water that is safe, reliable and meets the needs of its customers. The second is to provide affordable water services to customers while protecting its customers' right to clean water, regardless of economic status or geographic location. The Company also focuses on addressing water affordability by maximizing both supply-side and demand-side efficiency. Average residential water bills for the Company's customers are approximately $55 to $65 per month, and the expected average annual rate increases across the Company's footprint over the next five years is 5% to 6%. The Company continues to advocate for federal and state customer affordability support and monitors the number of customers enrolled in its assistance programs to make sure that it is effectively responding to customer needs.

Other

Other primarily includes the MSG business, which enters into long-term contracts with the U.S. government to provide water and wastewater services on military installations. The Contract Services Group ("CSG"), also included in Other, has three contracts with municipal customers to operate and manage water and wastewater facilities and provide other related services. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The businesses included within Other are not subject to regulation by state PUCs and the services provided generally do not require significant capital investment. Operating revenues for Other were $314 million for 2023, $287 million for 2022 and $546 million for 2021, accounting for 7%, 8% and 14%, respectively, of the Company's total operating revenues for the same periods.

Military Services Group

MSG operates on 18 military installations under 50-year contracts with the U.S. government as part of its Utilities Privatization Program. The scope of these contracts generally includes the operation and maintenance of the installation's water and wastewater systems and a capital program focused on asset replacement and, in certain instances, systems expansion. The replacement of assets assumed when a contract is awarded to MSG is completed either through a discrete set of projects executed in the first five years of the contract or through the long-term recapitalization program performed over the life of the contract. Traditionally, both of these programs are funded from the contract fee. At times, new assets are required to support the installation's mission, and the construction of these assets is funded by the U.S. government as separate modifications or amendments to the

contract. The capital for these assets historically has not been funded through the Company's debt or equity issuances; rather, the Company has used limited working capital for short-term needs under these contracts. The U.S. Army has a requirement that a bidder must offer financing in its proposal for these new capital projects under existing contracts, but the U.S. Army's implementation of this requirement on existing contracts has limited the need for such financing. However, recent U.S. Army and Navy Utilities Privatization solicitations have included requirements for the successful bidder to finance discrete initial capital projects over either a five- or ten-year period after project completion. Four of MSG's current contracts require such capital project financing, which the Company is currently addressing through internal sources of liquidity.

The contract price for four of MSG's contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period, to reflect changes in contract obligations and anticipated market conditions. The remaining 14 contracts with the U.S. government are subject to annual price adjustments under a mechanism called "Economic Price Adjustment." All 18 contracts could be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government, or as a result of default or non-performance by the MSG subsidiary performing the contract. In either event, pursuant to termination provisions applicable to all of these contracts, MSG would be entitled to recover allowable costs that it may have incurred under the contract, plus the contract profit margin on incurred costs. MSG's backlog of revenue associated with its contracts with the U.S. government is approximately $7.1 billion, with an average remaining contract term of 39 years.

Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests of the HOS subsidiaries for total consideration of approximately $1.275 billion. Prior to the Closing Date, the Company provided various warranty protection programs and other home services primarily to residential and smaller commercial customers through its HOS operations. See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Competition

MSG faces competition from a number of service providers, including American States Water Company and Veolia Environnement S.A.

Environmental, Health and Safety, Water Quality and Other Regulation

The Company's water and wastewater operations, including the services provided by its Regulated Businesses, MSG and CSG, are subject to extensive federal, state and local laws and regulations governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water the Company delivers to its customers, and the manner in which it collects, treats, discharges, recycles and disposes of wastewater. In the United States, these regulations are developed under federal legislation including the Safe Drinking Water Act, the Reduction of Lead in Drinking Water Act and the Clean Water Act, and under a variety of applicable state laws. Environmental, health and safety, and water quality regulations are complex and may vary from state to state in those instances where a state has adopted a standard that is more stringent than the federal standard. The Company is also subject to various federal, state, and local laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. PUCs also set conditions and standards for the water and wastewater services the Company delivers.

The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources, recognizing that

drinking water standards have generally, over time, increased in number and become increasingly more stringent. As newer or stricter standards are introduced, the Company's capital and operating costs needed to comply with them will likely increase. The Company incurs substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which its operations are subject and the Company invests in technology solutions for enhanced detection and monitoring of water quality issues. The Company estimates that it will make capital expenditures of approximately $900 million over the next five years, and $200 million in 2024, to address water quality issues; most of which are focused on compliance with environmental laws and regulations. The Company believes that its operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

The Company's operations also involve the use, storage and disposal of hazardous substances and wastes. For example, the Company's water and wastewater treatment facilities store and use gaseous chlorine as well as other chemicals that generate wastes that require proper handling and disposal under applicable environmental requirements. The Company also could incur remedial costs in connection with any contamination relating to its operations or facilities or its off-site disposal of waste. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as current and former owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although the Company is not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs to the Company. The Company's facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder.

Safe Drinking Water Act

The Safe Drinking Water Act and related regulations establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous, naturally occurring and manufactured chemical and microbial contaminants and radionuclides allowable in drinking water, and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems that may be used for removing those contaminants, and other requirements. To date, the EPA has set standards for over 90 contaminants and water quality indicators for drinking water, and there is a process in place to make a regulatory determination on at least five additional compounds every five years.

The process of developing new drinking water standards is long and complex, but the Company actively participates with the EPA and other water industry groups by sharing research and water quality operational knowledge. See Item 1—Business—Research and Development—Contaminants of Emerging Concern for additional information.

The Company is within the EPA's time frame for compliance with standards and rules developed under the regulation of the Safe Drinking Water Act, which includes sample collection, data analysis, and, in some instances engineering planning and implementation of treatment enhancements. Further, the EPA is actively considering development of a new regulation for perchlorate and updates to the current microbial and disinfection byproduct regulations. The Company does not anticipate that any such regulations, if enacted, will require implementation in 2024.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, the Company expects current cost requirements under the Safe Drinking Water Act and other similar laws to be recoverable through the regulatory process and therefore compliance costs are not expected to have a material impact on its operations or financial condition. In addition, capital expenditures and operating

costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from these pending or future requirements.

Lead and Copper Rule and Reduction of Lead in Drinking Water Act

In 1991, the EPA published the Lead and Copper Rule ("LCR") to control lead and copper in drinking water and, since that time, has issued minor revisions in 2000, 2004 and 2007, enhancing monitoring, reporting and public education requirements. In 2011, Congress enacted the Reduction of Lead in Drinking Water Act regarding the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. While these advances have made an impact in reducing lead exposure in drinking water, legacy lead plumbing materials, primarily in building plumbing, still remain in many communities. The failure of certain water systems in the United States to comply with the requirements of the LCR has received recent media attention and scrutiny, and in certain cases, has led to a number of investigations and the imposition of significant penalties and sanctions against the operators of those systems and others. As part of its ongoing water main replacement and service line renewal projects, and in accordance with applicable state regulations and anticipation of updated federal regulation, the Company has been replacing lead service lines ("LSLs") for many years in accordance with current scientific guidance. Also, the Company utilizes appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements.

On December 21, 2021, the EPA announced next steps to strengthen the regulatory framework on lead in drinking water, including implementing the Lead and Copper Rule Revisions ("LCRR") and indicated an intent to finalize the Lead and Copper Rule Improvements ("LCRI") which were proposed on December 6, 2023, prior to October 16, 2024, the initial compliance date in the LCRR. The Company is executing an implementation strategy to comply with the initial LCRR requirement to complete a lead service line inventory. Capital expenditures and operating costs associated with the LCRI will be determined once the EPA finalizes the rule, but as previously noted, costs associated with compliance with federal water quality regulations have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. The Company has provided both oral and written comments to the EPA on the proposed LCRI. The Company believes that, if the LCRI rulemaking were to be implemented, the total investment cost to identify and replace lead and galvanized steel service lines in the United States by 2037 would be significant and has been underestimated by the EPA in the LCRI rulemaking. Finally, the Company supports a delay of the compliance date for those portions of the LCRR proposed to be extended by the LCRI, some of which are currently scheduled to take effect on October 16, 2024, to allow all water service providers to prepare adequately for any changes that may be implemented through the proposed LCRI rulemaking while continuing to comply with the existing requirements.

The IIJA was signed into law in November 2021 and provides for up to $15 billion for lead service line replacement through drinking water state revolving funds. The Company will evaluate its service territories and apply for funding for those areas that meet applicable requirements. With regard to future acquisitions, the Company will work with those communities as part of the acquisition process to set LSL removal goals appropriate for those systems. The prioritization of LSL removal is dependent on several factors, including the Company's planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCR compliance monitoring results, and cooperation with its customers with respect to replacing the customer-owned portion of the LSL as necessary. In certain cases, these and other factors may result in a shorter or longer time frame for replacement. Because replacing the external LSL in its entirety is advised by several water industry organizations including the U.S. National Drinking Water Advisory Council, the Lead Service Line Replacement Collaborative, and the American Water Works Association, the Company's preferred approach is to replace the entire external LSL if lead is found on either the Company or customer portion of the service line; full LSL replacement is also consistent with the LCRR and proposed LCRI. The Lead Service Line Replacement Collaborative is a diverse group of public health, water utility, environmental, labor, consumer and housing organizations from across the country working together to encourage communities to accelerate the full replacement of LSLs through collaborative efforts at the local level.

National Primary Drinking Water Regulations

On March 14, 2023, the EPA announced the proposed National Primary Drinking Water Regulations ("NPDWR") for six PFAS including perfluorooctanoic acid ("PFOA"), perfluorooctane sulfonic acid ("PFOS"), perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid ("HFPO-DA", commonly known as "GenX Chemicals"), perfluorohexane sulfonic acid ("PFHxS"), and perfluorobutane sulfonic acid ("PFBS"). The proposed regulations would establish legally enforceable levels for PFAS in drinking water. The EPA anticipates issuing a final rule in 2024 and utilities will be provided a three-year window to comply with the new regulations once finalized, although the Safe Drinking Water Act allows utilities to request an additional two years if capital improvements are required.

The Company performed an initial review of the NPDWR to assess the four parts per trillion requirements for PFOA and PFOS and the application of the Hazard Index approach for PFNA, PFBS, PFHxS, and GenX Chemicals. On May 24, 2023, the Company submitted comments to the EPA outlining its position on key issues to address the proposed regulations, including its projected costs associated with PFAS treatment at the proposed limits and the potential impact to customers' bills. The Company estimates an investment of approximately $1 billion of capital expenditures to install additional treatment facilities over a three to five-year period in order to comply with the proposed regulations. Additionally, the Company estimates annual operating expenses up to approximately $50 million related to testing and treatment in today's dollars. These are preliminary estimates based on the proposed rule. The actual expenses may differ from these preliminary estimates and will be dependent upon multiple factors, including the final rule and effective date, as well as the completion of a system-by-system engineering analysis.

The Company supports sound policies and compliance with the NPDWR by all water utilities, while protecting customers and communities from the costly burden of monitoring and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable and is participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. For more information on the PFAS multi-district litigation, see Item 3—Legal Proceedings—PFAS Multi-District Litigation.

Clean Water Act

The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to the Company's wastewater collection systems, its operations require discharge permits under the National Pollutant Discharge Elimination System ("NPDES") permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA and implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of fines and penalties, and persistent non-compliance could lead to significant fines and penalties and other compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on the Company's operations. From time to time, discharge violations occur at the Company's facilities, some of which result in fines. The Company does not expect any such violations or fines to have a material impact on its results of operations or financial condition. The EPA has identified wastewater discharge permitting and permits for the application of biosolids, or sewage sludge, containing PFAS as areas of focus in its PFAS Strategic Roadmap. Individual states may also take action in these areas. As indicated previously, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from any new requirements in these areas.

Research and Development

The Company's Research and Development Program

The Company maintains an industry-leading research and development ("R&D") program that is designed to enhance its services, support its compliance activities, improve service quality and operational effectiveness, and provide environmental leadership. For more than three decades from its inception, American Water's R&D program has evolved into an industry-leading effort and has achieved numerous advancements in the science of drinking water, wastewater, and desalination. Through laboratory and industry resources and the team's expertise, efforts are focused on contaminants of emerging concern, including but not limited to PFAS, Legionella, cyanotoxin-forming algal blooms, a variety of pathogens (for example, COVID-19, Cryptosporidium, Giardia, enteric viruses, and various bacteria), microbial indicators and disinfection byproducts. The Company's R&D personnel are located at the Company's corporate headquarters and at two laboratory testing facilities in New Jersey and Illinois, the latter housing its quality control and testing laboratory, which supports the Company's R&D activities through testing and analysis.

The Company continues to leverage its expertise and collaborates with the EPA and state agencies to help establish effective environmental, health and safety, and water quality standards and regulations. This relationship includes sharing of the Company's research, such as its treatment and distribution system optimization research and its national water quality monitoring data. The Company's engagement with the EPA provides it with early insight into emerging regulatory issues and initiatives, thereby allowing the Company to anticipate and to accommodate its future compliance requirements. The Company also frequently engages with the Centers for Disease Control and Prevention, other state environmental agencies, and national and international water research foundations. The Company believes that continued R&D activities are critical for providing safe, reliable and affordable services, as well as maintaining its leadership position in the industry, which provides the Company with a competitive advantage as it seeks business and operational growth.

Contaminants of Emerging Concern

Contaminants of emerging concern include numerous chemicals such as PFAS, pharmaceuticals, personal care products, pesticides, herbicides, antibiotic resistant bacteria (ARB), antibiotic resistant genes (ARG), endocrine disrupting compounds, microplastics and industrial chemicals, as well as certain naturally occurring microbes, such as bacteria, viruses and parasites, which have been detected in drinking water supplies, for which the risk to the public's health is not fully understood and/or has not been assessed. Technological advances have only recently made it possible to detect many of these contaminants at trace levels. The ability to detect contaminants, even at trace levels, has invited discussion about these contaminants among regulators and government agencies, which in turn shapes the public's perception of drinking water quality.

The Chemicals Abstract Service Registry contains over 204 million registered chemicals, with an estimated 1,400 species of disease-causing microbes that can affect humans. The Company is continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to its water supply, to act on emerging regulations and new health advisories, and to evaluate the benefits of alternative or advanced treatment technologies. The Company utilizes water quality testing equipment and implements new and emerging technologies to help detect potential water supply contamination issues. Examples of the Company's efforts include:

- monitoring impacts of environmental pathogen loads and removal through wastewater systems;
- characterizing factors that contribute to the formation of potentially carcinogenic disinfection by-products to define best practices for their mitigation;
- advancing the science on holistic management strategies to improve distribution system water quality further;
- using its research findings to communicate information to its customers regarding potential actions to limit occurrences of Legionella in their buildings; in this regard, the Centers for Disease Control and

Prevention statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with customer-owned plumbing systems in large buildings;

- defining a framework to support management or possible future regulation of opportunistic pathogens;
- developing expanded monitoring methods for short-chain and fluorinated replacement PFAS;
- systematically investigating PFAS removal from a variety of water matrices using established and emerging treatment technologies;
- leading a PFAS risk communication strategy for the water sector;
- using innovative technologies (e.g., satellite imagery) for early detection and response to algal blooms to manage public health impacts and prevent taste and odor events before cyanotoxins get into the water treatment plant;
- monitoring of taste and odor issues that impact customer satisfaction using expanded analytical methods to detect compounds, and evaluating and recommending treatment practices;
- implementing water source assessment tools, including sensors and data analytics, to evaluate and track chemical storage and aid in the identification of source water contamination events;
- developing methodology and advanced measurement techniques for contaminants of emerging concern to investigate transport, occurrence and treatment; and
- implementing activated carbon, biofiltration and ion exchange treatment to seek to control contaminants of emerging concern.

Service Company and Security

American Water Works Service Company, Inc. ("Service Company") is a wholly owned subsidiary of the Company that provides support and operational services to the Company and its affiliates. These services are predominantly provided to the Company's Regulated Businesses under contracts that have been approved by PUCs, where necessary, and are also provided to the MSG and CSG businesses as requested or may otherwise be necessary. Services provided by Service Company may include accounting and finance, administration, business development, communications, compliance, education and training, engineering, environmental, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, R&D, rates and regulatory support, security, risk management and insurance, treasury, and water quality. Service Company also provides customer support to the Company's Regulated Businesses, which includes call handling, billing, a major accounts program and other related services. Services are provided by Service Company at cost, enabling the Company's operating subsidiaries to fulfill their responsibilities in a cost-effective manner, while providing them access to in-depth, functional expertise.

The Company's security team, through Service Company, provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout the Company's operations. The security team is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company's physical assets, business systems and operational technologies. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. For additional information concerning this team and the Company's cybersecurity program, see Item 1C—Cybersecurity.

Environmental, Social Responsibility and Governance

The Company considers environmental, social responsibility and governance ("ESG") principles fundamental to its corporate strategy and values. Integration of these principles into the Company's daily operations emphasizes its belief that "how" a company operates is just as important as "what" a company does.

Delivering safe, clean, reliable and affordable water services to customers and treating wastewater has been fundamental to the Company's business for decades. The Company has an opportunity to make a positive, sustainable impact in thousands of communities by serving them with diverse and skilled employees and maintaining the governance and diligence to meet or exceed service expectations.

Demonstrated ESG Leadership

The Company's values and actions have achieved prestigious recognition by firms devoted to recognizing companies that demonstrate ESG leadership. Among others, American Water (i) was recognized on the 2023 Bloomberg Gender-Equality Index for the fifth consecutive year, (ii) was ranked 18th on Barron's 100 Most Sustainable U.S. Companies 2023 List, (iii) was named one of America's Most JUST companies by JUST Capital and CNBC for its continued commitment to employees, customers, communities and shareholders, (iv) earned the U.S. Department of Homeland Security's SAFETY Act designation and the EPA's WaterSense® Excellence Award, and (v) was honored as a 2023 VETS Indexes 3-Star Employer and earned the 2024 Military Friendly® Gold Employer designation for the Company's efforts in hiring and supporting U.S. military veterans.

ESG Oversight

Management and Other Supporting Roles

American Water has developed a cross-functional approach for developing and implementing its ESG strategy, principles and reporting. The function involves the direct involvement and participation by many of its business units, including without limitation, its executive leadership team, as well as environmental, health and safety, human resources, legal, finance, accounting and investor relations teams (which includes the Company's ESG reporting function).

Board of Directors Oversight

The Board of Directors oversees the Company's strategy and performance related to sustainability through four standing committees:

- The Safety, Environmental, Technology and Operations Committee has oversight and responsibility with respect to, among other things: water quality and emerging contaminants; operational matters and functions; environmental and climate-related matters; and physical security and cybersecurity.
- The Audit, Finance and Risk Committee has oversight and responsibility of, among other things: the Company's risk assessment and enterprise risk management; the Company's financial statements and accounting; the independent auditor; internal audit and controls; and ethics and compliance matters.
- The Executive Development and Compensation Committee oversees, among other things: the Company's human capital management and ID&E programs; culture and related engagement with employees; and executive development, succession and compensation.
- The Nominating/Corporate Governance Committee has oversight and responsibility with respect to, among other things: corporate governance; Board and committee membership, leadership and composition; director nominations and succession; and director education.

Alignment with Annual Performance Plan

- The Company's Annual Performance Plan ("APP"), which provides annual, performance-based cash compensation to Company employees based upon the achievement of stated business goals, is aligned with its commitment to ESG principles. Performance measures and other mandatory training requirements related to the 2023 APP included the following:
    - Environmental: Drinking Water Quality and Program Compliance;

- Social: Customer Satisfaction, Employee Safety and Employee Diversity; and
- Governance: The Company requires annual completion of Code of Ethics training for an employee to be eligible to receive an APP payout.

Reporting, Disclosures and Transparency

- In 2023, the Company issued its seventh Sustainability Report as well as its ESG Data Summary, which covered performance and management of key metrics within the 2022 calendar year. American Water will begin publishing its Sustainability Report annually in 2024.
- In addition, the Company issued its third annual Inclusion, Diversity & Equity ("ID&E") Report, which describes the Company's inclusion and diversity strategies, practices, policies and programs. During 2023, the Company also continued to update key ID&E metrics quarterly on its *DiversityatAW.com* website.
- As part of its continued commitment to transparency, the Company provided the following new disclosures:
  - Independent assurance of Scope 1 and Scope 2 greenhouse gas emissions for 2020, 2021 and 2022, in accordance with the International Standard for Assurance Engagements ISAE 3000 (Revised);
  - EEO-1 data for 2022, marking the third consecutive reporting year that the Company has shared this information broadly;
  - A comparison of the Company's employee racial/ethnic diversity and residential customer diversity; and
  - A director skills and diversity matrix.
- The Company also discloses on its website its Political Contribution Policy, and, on an annual basis, information related to political contributions, certain payments to tax-exempt organizations and trade associations (including Section 501(c)(4) organizations), and lobbying expenditures.

Human Capital Resources

Overview

American Water is committed to supporting a high performing workforce, and the Company seeks to attract and retain employees who share the Company's purpose and values and represent the communities the Company serves. The Company demonstrates this commitment to its employees through its employee value proposition, called weCARE, which forms a central part of the Company's human capital resources mission and includes a focus on deeper connections, personal growth, shared purpose, flexibility and well-being. The Company believes that investing time, energy and resources in its workforce helps to generate new ideas, continuously improve operations, and provide high-quality, reliable service for the customers and communities served.

Employee Health and Safety

Safety has always been a core value at American Water and is a critical component of its business strategy. The Company's ultimate goal is to achieve zero incidents, injuries and fatalities for the Company's employees and contractors, all of whom deserve to return home from work in the same, or better, condition than when they arrived. The Company's commitment to employee health and safety includes, in addition to physical safety, both emotional safety and overall wellbeing.

To support the Company's commitment to safety, the Company's employees completed approximately 157,000 hours of employee safety training, including physical security and cybersecurity training, during 2023.

To support and enhance the Company's safety culture, the Company also collaborates on local, regional, and national levels with its labor union partners. Employees are empowered to demonstrate safety leadership by utilizing a number of safety practices embedded in the Company's culture, such as the use of (i) daily and pre-meeting safety messages, (ii) "Stop Work Authority" (the power to stop working immediately and mitigate a hazard whenever an employee believes a task is unsafe), and (iii) a peer-to-peer program in which employees observe and coach each other to encourage safe work. For 2023, the Company had an ORIR injury rate of 0.86, which reflects a 4% increase in injuries compared to 2022, taking into account a 1% increase in labor hours compared to 2022. Also, the number of Days Away Restricted or Transferred ("DART") injuries increased by 43.5% compared to 2022, primarily due to an increase in strain, sprain and tear injuries, which the Company has focused on addressing through safety action plans tailored to these types of injuries. For 2023, the Company had 54 injuries and its DART rate was 0.52 (33 injuries), compared to an ORIR of 0.85 (52 injuries) and a DART rate of 0.37 (23 injuries) in 2022.

The Company continued its focus in 2023, to promote leading indicator safety activities, including pre-job safety briefings and near-miss reporting, and by supporting the achievement of internal Certified Safe Worker designations. Near-miss reports, where employees report potential hazards or incidents in a safe and secure manner, increased by 32% in 2023 over 2022, and 98% of near-miss incident corrective actions were completed, with nearly 97% completed within 30 days. The Company utilizes near-miss reporting and timely corrective actions as key measurements of employee engagement and safety performance.

This commitment to safety also includes building a culture of well-being where all employees can feel emotionally safe and live a healthy lifestyle. Through well-being education, the Company is able to encourage employees to take preventative actions and increase participation in annual well-care exams and cancer screenings. In 2023, the Company introduced an enhanced wellness program platform to increase overall engagement and to leverage the use of mobile technologies. As a result, 34% of enrolled employees reached the highest participation level in the wellness program (compared to 19% in 2022). In addition, the mobile-ready platform presented an opportunity to engage more front-line employees in a user-friendly way.

Inclusion, Diversity and Equity

The Company believes that employees are at their best when they can bring their full selves to work every day. This belief is the central component of the Company's "Beautifully Different" philosophy, which recognizes, embraces and celebrates the uniqueness of its employees. The Company also believes that having employees with different ideas, viewpoints, experiences and backgrounds improves its ability to serve a diverse customer base. To this end, the Company is committed to seeking and promoting diversity among its workforce, executive and senior management leadership teams, to align the diversity of the Company's workforce with the diversity of the communities in which it serves.

As part of its APP, the Company has included diversity goals intended to increase the representation of women in, and the ethnic and racial diversity of, the Company's workforce. The goals measure the percentage of females and racial/ethnic diversity among the Company's workforce based on voluntary self-identification.

The Company maintains its *DiversityatAW.com* website to provide transparency and communicate progress on the Company's initiatives. This website currently includes, among other information, American Water's overall strategic approach to ID&E, the Company's ID&E report, its EEO-1 data, key employee diversity metrics (which are updated quarterly), and a discussion of the Company's pay equity study and internal labor market analysis.

During 2023, the Company continued to focus on creating a culture that respects and supports inclusion, diversity and equity. At all levels, the Company strives to understand, respect, value and provide equal opportunity to each employee, and to foster an environment where employees' differences are embraced and celebrated. The Company holds as an essential concept the right of employees to proudly share their ideas and

unique perspectives in an environment built on mutual respect, equity and inclusion. The Company is committed to diversity among its workforce, including its executive and senior management leadership teams, by reflecting the diversity of the communities in which the Company serves. The Company expects all leaders to lead with inclusion, diversity and equity.

During 2023, 85.0% of the Company's hiring candidate pools were diverse. Additionally, for 2023, approximately 48.2% of the Company's internal employee transfers and promotions were filled with a diverse individual, reflecting the Company's commitment to employee development and career growth as well as the Company's focus on workforce inclusion, diversity and equity. For purposes of these metrics, diversity refers to gender, race, ethnicity, disability, veteran/military spouse status, and LGBTQ+ status, all based on voluntary, self-identified employee information.

The Company maintains active partnerships with groups such as Hiring our Heroes, Military Spouse Employment Partnership, American Corporate Partners, CEO Action for Diversity and Inclusion, Disability: IN, Paradigm for Parity, and Out and Equal, to further enhance its ability to recruit and retain diverse employees. Among its recognitions, the Company was honored as a 2023 VETS Indexes 3-Star Employer and earned the 2024 Military Friendly® Gold Employer designation for the Company's efforts in hiring and supporting U.S. military veterans. American Water was also recognized as the first utility to receive the Friendly Forces 5 STAR Reservist Friendly Employer award, the highest employer rating for Guard service personnel and reservists.

The Company was also a top scorer in the 2023 Disability Equality Index for the fifth consecutive year and was recognized by 50/50 Women on Boards™ for a gender-balanced board of directors, Fortune's Modern Board 25 Ranking, as well as a Champion of Board Diversity with distinction by the Forum of Executive Women. The Company was also named a 2023 Best of the Decade honoree by Minority Business News USA and Women's Enterprise USA, and the Company was included in the 2023 Impact Shares NAACP Minority Empowerment ETF. In keeping with the Company's values, the Company has a stated "zero-tolerance" approach against discrimination, harassment or retaliation by or toward any employee, vendor, customer or other person in its workplace. All employees are required to complete anti-harassment, workplace respect and dignity, unconscious bias and inclusion and diversity training. In addition, annual Code of Ethics training is provided to all employees, which includes instructions on using the Company's anonymous hotline for reporting potential Code of Ethics violations.

The Company's five Employee Business Resource Groups ("EBRGs"), which represent diverse employee demographics (Women, African American/Black, LGBTQ+, and Disabilities/Caregivers, with Military added in 2023), strive to create measurable and long-lasting positive impacts on employees' careers, as well as the Company's culture and communities in which it serves. EBRG members participate in events and awareness activities throughout the year, which highlight the importance of building an inclusive and equitable culture. For example, employees may participate in monthly meetings with a focus on various related topics, including career development, psychological safety, cultural awareness or business objectives. EBRG members also have the opportunity to impact the communities in which the Company serves through service projects, including the annual Juneteenth Unity Walk that supported the National Alliance on Mental Illness, an organization that provides advocacy, education, and support for, and public awareness of, mental illness, and projects supported by a partnership with Girl Scout troops to promote environmental stewardship and the importance of careers in science, technology, engineering and mathematics, among others.

Total Rewards

In order to attract, retain and motivate a skilled, high-performing and diverse workforce, American Water provides a comprehensive and highly competitive Total Rewards program, including base pay, APP, long-term performance plan compensation for certain leadership positions, and a wide range of benefits consisting of, among others: medical, prescription, dental, vision, life and disability insurance coverage, a retirement savings plan, an employee stock purchase plan, educational assistance, paid time off through holidays and vacation and

sick time. The Company's Total Rewards offerings also include a health and wellness program and a menu of additional voluntary benefits.

All the Company's employees, including those who are union-represented, participate in the APP to promote alignment between performance-based compensation and the achievement of the Company's short-term performance goals. In addition, as part of its commitment to providing an inclusive and equitable culture for all employees, the Company regularly reviews its success in achieving pay equity, whereby pay decisions would be based on the responsibilities, talents and skills of its employees, rather than unrelated factors such as gender, race or ethnicity.

All employees who average 30 hours or more per week are eligible for full-time benefits. Approximately 89% of all benefit eligible employees are enrolled in the Company's healthcare benefits. Full-time employees pay approximately 16% of the total premium cost of medical, dental and vision coverage. To reinforce the Company's commitment to inclusion, diversity and equity, the Company's medical benefits include coverage for applied behavior analysis, autism treatment, transgender services and hearing aids, as well as a fertility assistance benefit. In addition, in 2023, the Company increased its paid family leave benefit for employees from two weeks to six weeks.

Talent Development

The Company partners with business leaders to understand the key behaviors and competencies required to operate safely and effectively, and to meet our short and long-term business objectives. The Company applied its workforce planning process in 2023, to assess key positions across the organization, identify potential talent risks, and begin building action plans to mitigate those risks. In addition, the Company worked to create and deploy programs designed to attract, motivate, develop and retain talented employees, and foster a learning culture. In 2023, the Company enhanced its employee learning goal, which provided an opportunity for employees to complete a minimum of 25 hours of learning through a variety of methods, including: on-the-job experiences and challenges; teaching others; and traditional instructor-led or remote learning opportunities. The Company believes that personal growth is a valuable component of weCARE and is committed to supporting strategies to help its employees develop both personally and professionally. Approximately 95% of active, full-time employees hired before October 1, 2023, met the employee learning goal, resulting in approximately 328,000 hours of total training completed during the year.

In addition to required role-based training, managers assist employees to identify professional development opportunities, utilizing a framework of on-the-job learning, social learning and formal learning, to help them attempt to reach their full potential and grow their careers. To further support employees' growth and development, during 2023, the Company expanded the employee profile fields within its employee information system to allow employees to showcase their achievements, contributions and aspirations, as well as to support identification of developing and key talent.

Developing talent to provide a pathway to executive leadership is a critical priority for the Company. During 2023, the Company engaged in succession planning activities for the Company's business-critical and business-impact positions. These succession plans support the Company's business continuity plans and goals, through the identification and development of current and future leaders, and promote diversity, retention and talent development priorities.

In addition to succession planning for executive and senior leadership roles, in 2023, the Company conducted local and enterprise-wide talent reviews, identifying top and emerging talent with a focus on diversity, strengths, gaps and development needs against the critical skills needed for certain roles. Through these talent review processes, business leaders identified a pool of high-potential employees, which will assist the Company in supporting their career goals and aspirations and promote more effective employee experience and talent retention efforts. The Company also utilizes annual six-month mentoring programs designed to accelerate

emerging leaders' abilities to demonstrate leadership capabilities and relationships, with the guidance of an experienced executive mentor. Finally, in 2023, the Company, together with an outside vendor, initiated a new pilot program, called Accelerate for Impact, to support development of its high-potential employees' key competencies. Accelerate for Impact provides select high-potential employees the opportunity to engage in social learning activities and to complete self-directed, online coursework that culminates with a capstone project.

Employee Experience

The Company has established its weCARE employee value proposition that focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer. weCARE is composed of five elements: deeper connections; personal growth; shared purpose; flexibility; and well-being. weCARE represents the Company's commitment to valuing its employees and building a safe, healthy and inclusive culture where employees know their value and are appreciated for their talents and commitment to supporting the Company's success. The Company offers employee programs covering each of the five components of weCARE. The Company is committed to improving the employee experience by listening to employees through focus group discussions and employee surveys, among other tools. To that end, the Company captures employee feedback, which helps the Company understand how employees are feeling and permits appropriate refinement of the Company's employee programs, benefits and support. In early 2023, the Company administered an evolved engagement survey, seeking to capture a view of the Company's employee experience, pursuant to which the Company received actionable feedback on each of these weCARE elements.

Workforce Data

As of December 31, 2023, the Company had approximately 6,500 employees. For 2023, the Company's employee turnover rate, which the Company defines as the ratio of the number of separated employees to the 12-month average headcount during 2023, was 11.5%, down from 12.3% in 2022. American Water seeks to reduce regrettable employee turnover by assessing the effectiveness of weCARE and through its efforts to foster the Company's employee experience.

As of December 31, 2023, approximately 47% of the Company's workforce was represented under 73 collective bargaining agreements with 14 different unions. In 2023, the Company renegotiated 21 collective bargaining agreements that were set to expire during the year. During 2024, 21 of the Company's collective bargaining agreements will expire in accordance with their terms and the Company expects to be able to negotiate these agreements during the year. In addition, the Company's national benefits agreement, which expires on July 31, 2028, covers approximately 3,000 of the Company's union-represented employees and their families and provides them with healthcare and other benefits. The Company also collaborates with union leadership on topics such as safety, customer, technology and employee benefits in forums such as the Joint Healthcare Committee, National Labor Management Committee and the annual Labor Management Conference. In 2023, the Company initiated a joint effort with certain of these labor unions and the Federal Mediation and Conciliation Service to host local discussions among management and union leaders with the goal of supporting and enhancing constructive relationships with these unions.

Board Oversight

The Executive Development and Compensation Committee ("ED&CC") of the Board of Directors establishes and reviews the Company's overall compensation philosophy and oversees the compensation and benefits plans and programs for its executive officers. The ED&CC oversees the process of planning for executive officer succession. It also provides oversight of the Company's inclusion, diversity and equity programs and initiatives. Further, the ED&CC is responsible for reviewing and assessing, at least annually, the Company's culture and related culture engagement, its organizational and leadership development plans and programs, and its programs designed to identify, attract and retain high-potential employees.

Information About Our Executive Officers

Presented in the table below are the name, age, offices held and business experience for each of the Company's executive officers, as of February 14, 2024:

Name	Age	Office and Experience
M. Susan Hardwick	61	**President and Chief Executive Officer.** Ms. Hardwick has served as President and Chief Executive Officer of the Company since February 2, 2022. She joined the Company in June 2019 as the Company's Executive Vice President—Finance and served as the Company's Chief Financial Officer from July 2019 until May 16, 2022. From December 7, 2021 until January 31, 2022, Ms. Hardwick also served as Interim Chief Executive Officer. Prior to joining the Company, Ms. Hardwick served as the Executive Vice President and Chief Financial Officer of Vectren Corporation, which was sold to CenterPoint Energy, Inc., an electric and natural gas utility, on February 1, 2019. Ms. Hardwick joined Vectren Corporation in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co. Ms. Hardwick is a Certified Public Accountant. Since September 2020, Ms. Hardwick has served on the Board of Directors of New Jersey Resources Corporation, a diversified energy services company, where she is currently serving a three-year term expiring in 2024, and since January 1, 2021, she has served as a member of its Audit Committee. Ms. Hardwick is also a member of the Board of Directors of the National Association of Water Companies and serves on its Executive Committee.
James H. Gallegos	63	**Executive Vice President and General Counsel.** Mr. Gallegos joined the Company on April 1, 2022 as its Executive Vice President and General Counsel. From February 2020 until April 2022, Mr. Gallegos served as the Executive Vice President, General Counsel and Corporate Secretary of Alliant Energy Corporation, a regulated, investor-owned public utility holding company, and its two utility subsidiaries (collectively, "Alliant Energy"). From February 2015 to February 2020, Mr. Gallegos served as Senior Vice President, General Counsel and Corporate Secretary of Alliant Energy. Prior to that, Mr. Gallegos served in various positions with U S WEST, Inc., which merged with Qwest Communications International Inc. in 2000.
John C. Griffith	57	**Executive Vice President and Chief Financial Officer.** Mr. Griffith joined the Company on May 16, 2022 as its Executive Vice President and Chief Financial Officer. Prior to joining the Company, since 2014, Mr. Griffith served as Managing Director, Mergers and Acquisitions, for Bank of America Securities' Global Regulated Utilities and Renewable Energy practice. Prior to joining Bank of America Securities, from 2008 to 2014, Mr. Griffith served as the Chief Executive Officer of HighWave Energy, a renewable fuels start-up company, and from 1995 to 2008, he served in various capacities of increasing responsibility with Merrill Lynch & Co.

Name	Age	Office and Experience
Melanie M. Kennedy	50	**Executive Vice President, Chief Human Resources Officer.** Ms. Kennedy has served as the Company's Executive Vice President, Chief Human Resources Officer since December 2021, and as Senior Vice President, Chief Human Resources Officer from December 2020 to December 2021. Prior to that, she served as the Company's Senior Vice President, Human Resources from March 2017 to December 2020. From August 2014 through February 2017, Ms. Kennedy served as the Company's Vice President, Human Resources, and from August 2012 to August 2014, she served as Director, Human Resources in the Company's Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.
Cheryl Norton	59	**Executive Vice President and Chief Operating Officer.** Ms. Norton has 35 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management and research. She has been serving as the Company's Executive Vice President and Chief Operating Officer since March 2021 and served as its Senior Vice President, Chief Environmental Officer from March 2020 to March 2021. She was also the Company's Senior Vice President, Eastern Division and President of its New Jersey subsidiary from March 2019 to March 2021. Prior to that, Ms. Norton served as President of the Company's Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.

Each executive officer is elected annually by the Board of Directors and serves until their respective successor has been elected and qualified or their earlier death, resignation or removal.

Available Information

The Company is subject to the reporting requirements of the Exchange Act. The Company files or furnishes annual, quarterly and current reports, proxy statements and other information with the SEC. Readers may obtain a copy of the Company's Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q or its Current Reports on Form 8-K, or any amendments to them, that are filed with or furnished to the SEC, free of charge, from the Company's Investor Relations website, *https://ir.amwater.com,* as soon as reasonably practicable after the Company files or furnishes the information to the SEC.

The Company maintains a website at *https://amwater.com*. Information contained on the Company's website and its Investor Relations website, including its Sustainability Report, its Inclusion, Diversity & Equity Annual Report, and other reports or documents, and the information and data on the Company's diversity website, *https://Diversityataw.com*, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. The Company recognizes its websites as key channels of distribution to reach public investors and as a means of disclosing information to comply with SEC Regulation FD.

The Corporate Governance Guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding the Company's corporate governance, are available on the Company's Investor Relations website, and will be made available, without charge, in print to any shareholder who requests such documents from the Company's Investor Relations Department in writing by mail at American Water Works Company, Inc., 1 Water Street, Camden, NJ, 08102.

ITEM 1A. RISK FACTORS

We operate in a market and regulatory environment that involves significant risks, many of which are beyond our control. In addition to the other information included or incorporated by reference in this Annual Report on Form 10-K, the following material factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position, results of operations, cash flows and liquidity.

Risks Related to Our Industry and Business Operations

Our Regulated Businesses are subject to extensive regulation by state PUCs and other regulatory agencies, which significantly affects our business, financial condition, results of operations and cash flows. Our Regulated Businesses also may be subject to fines, penalties and other sanctions for an inability to meet these regulatory requirements.

Our Regulated Businesses provide water and wastewater services to our customers through subsidiaries that are subject to regulation by state PUCs. This regulation affects the rates we charge our customers and has a significant impact on our business and operations. Generally, the state PUCs authorize us to charge rates that they determine are sufficient to recover our prudently incurred operating expenses, including, but not limited to, operating and maintenance costs, depreciation, financing costs and taxes, and provide us with the opportunity to earn an appropriate rate of return on invested capital.

Our ability to successfully implement our business plan and strategy depends on the rates authorized by the various state PUCs. We periodically file rate increase applications with state PUCs. The ensuing administrative process may be lengthy and costly. Our rate increase requests may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. Moreover, a PUC may not approve a rate request in an amount that is sufficient to:

- recover our cost of operations, including: purchased water; chemicals; and fuel, power and other commodities used in our operations;
- recover our operational labor and labor-related expenses, including without limitation costs and expenses associated with our pension and other post-employment benefits;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

Approval by the PUCs is also required in connection with other aspects of our Regulated Businesses, which are required to have numerous permits, approvals and certificates from the PUCs that regulate their businesses and authorize acquisitions, dispositions, debt and/or equity financing, and, in certain cases, affiliated transactions. Some state PUCs are empowered to impose financial penalties, fines and other sanctions for non-compliance with applicable rules and regulations. Although we believe that each utility subsidiary has obtained or sought renewal of the material permits, approvals and certificates necessary for its existing operations, we are unable to predict the impact that future regulatory activities may have on our business.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if the rates approved are sufficient, we face the risk that we will not achieve the rates of return on equity permitted by state PUCs. This could occur if certain conditions exist, including, but not limited to, (i) water usage is less than the level anticipated in establishing rates, (ii) customers increase their conservation efforts, (iii) we experience unusual or emergent situations, events or conditions, (iv) we experience a significant increase in customers without recovery of the operating and other costs associated with serving them, or a decrease in customers that causes a decrease in operating revenue, or (v) our investments or expenses prove to be higher than the levels estimated in establishing rates. It may be difficult to predict the outcome or impact of these events on us or the actions that may be taken by the PUCs or other governmental authorities in response thereto.

Our operations and the quality of water we supply are subject to extensive and increasingly stringent environmental, water quality and health and safety laws and regulations, including with respect to contaminants of emerging concern, compliance with which could impact both our operating costs and capital expenditures, and violations of which could subject us to substantial liabilities and costs, as well as damage to our reputation.

Our water and wastewater operations are subject to extensive federal, state and local laws and regulations. These requirements include, among others, CERCLA, the Clean Water Act, the Safe Drinking Water Act, the LCR (as amended), and each of their implementing rules and regulations, as well as other federal and state requirements. For example, state PUCs and environmental regulators set conditions and standards for the water and wastewater services we deliver. If the water or wastewater services we provide to our customers do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves providing water service for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry. In addition, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. We are also required to obtain various environmental permits from regulatory agencies for our operations.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations and their enforcement, have become more stringent over time, and new or stricter requirements, such as the anticipated EPA drinking water regulations for PFAS, the LCRR and the proposed LCRI, could increase our costs. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, there can be no guarantee that the various state PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity. We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination, including potential releases of hazardous chemicals, such as gaseous chlorine, which we use to treat water, or at off-site locations where we have disposed of residual waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to contaminants of emerging concern, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). Examples of sources of contaminants include, but are not limited to, newly created chemical compounds (including, for example, manufactured nanomaterials); human and veterinary products; PFAS; bacteria, microbes, viruses, amoebae and other pathogens; and residual by-products of disinfection. We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants, and our role is to provide service that meets these standards, if any. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for a contaminant in the absence of a regulatory standard. Furthermore, given the rapid pace at which these contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system or supplies, which could have a material adverse impact on our financial

condition, results of operations and reputation. In addition, we believe these contaminants will continue to form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

Limitations on availability of water supplies or restrictions on our use of water supplies because of government regulation or action may adversely affect our access to sources of water, our ability to supply water to customers or the demand for our water services.

Our ability to meet the existing and future demand of our customers depends on the availability of an adequate supply of water. As a general rule, sources of public water supply, including rivers, lakes, streams, groundwater aquifers and recycled water sources, are held in the public trust and are not generally owned by private interests. As a result, we typically do not own the source water that we use in our operations, and the availability of our water supply is established through allocation rights (determined by legislation or court decisions) and passing-flow requirements set by governmental entities or by entering into water purchase agreements. These requirements, which can change from time to time, and vary by state or region, may adversely impact our water supply. Supply issues, such as drought, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. If we are unable to secure available or alternative sources of water, our business, financial condition, results of operations and cash flows could be adversely affected.

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with the cease and desist orders issued by the SWRCB in July 1995 and October 2009 (the "1995 Order," the "2009 Order" and, as amended in July 2016, the "2016 Order" and, collectively, the "Orders") that require Cal Am to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule that terminated on December 31, 2021. See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs or obligations, including fines and penalties against Cal Am in the event of noncompliance with the Orders, which could have a material adverse effect upon us and our business, results of operations and cash flows.

Service disruptions caused by severe weather conditions, climate variability patterns or natural or other disasters may disrupt our operations or reduce the demand for our water services, which could adversely affect our financial condition, results of operations, cash flows and liquidity.

Service interruptions due to severe weather, climate variability patterns and natural or other events are possible across all our businesses. These include, among other things, storms, freezing conditions, high wind conditions, hurricanes, tornadoes, earthquakes, landslides, drought, wildfires, coastal and intercoastal floods or high water conditions, including those in or near designated flood plains, pandemics and epidemics, severe electrical storms, sinkholes, solar flares and chemical spills or other contamination causing temporary unavailability of our source water supplies. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. Tariffs in place or cost recovery proceedings with respect to our Regulated Businesses may not provide reimbursement to us, in whole or in part, for any of these impacts.

Government restrictions on water use may also result in decreased use of water services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal and other drought conditions that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. Responses may range from voluntary to mandatory water use restrictions, rationing restrictions, water conservation regulations, and

requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot be certain that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after a drought has ended and restrictions are lifted, which could adversely affect our business, financial condition, results of operations and cash flows.

Climate variability may cause increased volatility in weather and may impact water usage and related revenue or require additional expenditures, all of which may not be fully recoverable in rates or otherwise.

The issue of climate variability is receiving increasing attention nationally and worldwide. There is consensus among climate scientists that there will be worsening of weather volatility in the future associated with climate variability. Many climate variability predictions present several potential challenges to water and wastewater utilities, including us, such as:

- increased frequency and duration of droughts;
- increased precipitation and flooding;
- increased frequency and severity of storms and other weather events;
- challenges associated with changes in temperature or increases in ocean levels;
- potential degradation of water quality;
- decreases in available water supply and changes in water usage patterns;
- increases in the number, length and severity of disruptions in service;
- increased costs to repair damaged facilities; or
- increased costs to reduce risks associated with the increasing frequency and severity of natural events, including to improve the resiliency and reliability of our water and wastewater treatment and conveyance facilities and systems.

Because of the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity. Furthermore, both Federal and state laws and regulations have been enacted or proposed that seek to reduce or limit greenhouse gas emissions and require or would require additional reporting, monitoring and disclosure, and these regulations may become more pervasive or stringent in light of changing governmental agendas and priorities, although the exact nature and timing of these changes is uncertain. Although some or all potential expenditures and costs associated with the impact of climate variability and related laws and regulations on our Regulated Businesses could be recovered through rates, infrastructure replacement surcharges or other regulatory mechanisms, there can be no assurance that state PUCs would authorize rate increases to enable us to recover such expenditures and costs, in whole or in part.

The current regulatory rate setting process may result in a significant delay, also known as "regulatory lag," from the time that we invest in infrastructure improvements, incur increased operating expenses as a result of inflation or other factors, incur increased cost of capital, including as a result of increasing short- and long-term interest rates, or experience declining water usage, to the time at which we can seek to address these events in general rate cases; our inability to mitigate or minimize regulatory lag or the impacts thereof could adversely affect our business.

There is typically a delay, known as "regulatory lag," between the time our Regulated Businesses make a capital investment or incur an operating expense increase, including as a result of inflation or other factors, and the time when those costs are reflected in rates. In addition, billings permitted by state PUCs typically are, to a

considerable extent, based on the volume of water used in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to mitigate or reduce regulatory lag or the impacts thereof could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

We endeavor to mitigate or reduce regulatory lag by pursuing constructive regulatory practices. For example, two of our states have approved revenue stability mechanisms that adjust rates periodically to ensure that a utility's revenue will be sufficient to cover its costs regardless of sales volume, including recognition of declining sales resulting from reduced usage, while providing an incentive for customers to use water more efficiently. In addition, 10 of our state PUCs permit rates to be adjusted outside of the general rate case process through surcharges that address certain capital investments, such as replacement of aging infrastructure. These surcharges are adjusted periodically based on factors such as project completion or future budgeted expenditures, and specific surcharges are eliminated once the related capital investment is incorporated in new PUC-approved rates. Furthermore, in setting rates, nine of our state PUCs allow us to use future test years, which extend beyond the date a general rate case is filed to allow for current or projected revenues, expenses and investments to be reflected in rates on a more timely basis. Other examples of such regulatory practices include expense mechanisms that allow us to increase rates for certain cost increases that are beyond our control, such as purchased water costs, property or other taxes, or costs for power or other fuel, conservation, chemical or other expenditures. These mechanisms enable us to adjust rates in less time after costs have been incurred than would be the case under a general rate case process without the mechanisms.

While these mechanisms have mitigated or reduced regulatory lag in several of our regulated states, we continue to seek approval of regulatory practices to mitigate or reduce regulatory lag in those jurisdictions that have not approved them. Furthermore, PUCs may fail to adopt new surcharges and existing mechanisms may not continue in their current form, or at all, or we may be unable or become ineligible to continue to utilize certain of these mechanisms in the future. Although we intend to continue our efforts to seek state PUC approval of constructive regulatory practices to mitigate or reduce regulatory lag, our efforts may not be successful, or even if partially successful, our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected.

Changes in laws and regulations can significantly and materially affect our business, financial condition, results of operations, cash flows and liquidity.

The impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to our Regulated Businesses is uncertain. Changes in laws or regulations, the imposition of additional laws and regulations, changes in enforcement practices of regulators, government policies or court decisions can materially affect our operations, results of operations and cash flows. Certain of the individuals who serve as regulators are elected or political appointees. Therefore, elections which result in a change of political administration or new appointments may also result in changes of the individuals who serve as regulators and changes in the policies of the regulatory agencies that they serve. New laws or regulations, new interpretations of existing laws or regulations, changes in agency policy, including those made in response to shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

- making it more difficult for us to increase our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases and other regulatory proceedings;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;

- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets, or issue long-term debt or equity, or making it less cost-effective for us to do so;
- negatively impacting, among other things: (i) tax rates or positions or the deductibility of expenses under federal or state tax laws, (ii) the availability or amount of, or our ability to comply with the terms and conditions of, tax credits or tax abatement benefit, (iii) the amount of taxes owed or paid, including as a result of the Corporate Alternative Minimum Tax provisions, (iv) the timing of tax effects on rates or (v) the ability to utilize our net operating loss carryforwards;
- increasing the associated costs of, and/or of difficulty complying with, environmental, health, safety, consumer privacy, water quality, and water quality accountability laws and regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via condemnation, eminent domain or other similar process, or for governmental agencies or private plaintiffs to assess liability against us for damages under these or similar processes;
- increasing the costs and/or difficulty of complying with proposed changes to federal contractor affirmative action audits;
- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of a CPCN issued to us by a state PUC or other governmental authority.

Regulatory and environmental risks associated with the collection, treatment and disposal of wastewater may impose significant costs and liabilities.

The wastewater collection, treatment and disposal operations of our subsidiaries are subject to substantial regulation and involve environmental risks. If collection, treatment or disposal systems fail, overflow, or do not operate properly, untreated or inadequately treated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, financial condition, results of operations and cash flows. Some of our wastewater systems have commercial and industrial customers that are subject to specific limitations on the type, character and concentration of the wastewater they are permitted to discharge into our systems. The failure by these commercial and industrial customers to comply with their respective discharge requirements could, in turn, negatively impact our operations, damage our facilities or cause us to exceed applicable discharge limitations and requirements. Liabilities resulting from such exceedance events could adversely and materially affect our business, financial condition, results of operations and cash flows.

A loss of one or more large industrial or commercial customers could have a material adverse impact upon the results of operations of one or more of our Regulated Businesses.

Adverse economic conditions may cause our customers, particularly industrial and large commercial customers, to curtail operations. A curtailment of operations by such a customer typically results in reduced water usage by that customer. In more severe circumstances, the decline in usage could be permanent. Any

decrease in demand resulting from difficult economic conditions affecting these customers could adversely affect our financial condition and results of operations. Tariffs in place with respect to our Regulated Businesses may not reimburse us, in whole or in part, for any of these impacts.

Our Regulated Businesses require significant capital expenditures and may suffer if we fail to secure appropriate funding to make investments, experience increases in short- and long-term interest rates or if we experience delays in completing major capital expenditure projects.

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2023, we invested $2.6 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will continue into the future and, we believe, will increase. If we are not able to obtain sufficient financing through current or future sources of liquidity, we may be unable to maintain our existing property, plant and equipment, fund our capital investment strategies or expand our rate base to enable us to meet our growth targets. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of supply chain interruptions, construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, legal and regulatory challenges, or other obstacles. Each of these outcomes could adversely affect our business, financial condition, results of operations and cash flows.

Aging infrastructure may lead to service disruptions, property damage and increased capital expenditures and O&M expenses and other costs, all of which could negatively impact our financial results.

We have risks associated with aging infrastructure, including water and sewer mains, pumping stations and water and wastewater treatment facilities. Additionally, we may have limited information regarding buried and newly acquired assets, which could challenge our ability to conduct efficient asset management and maintenance practices. Assets that have aged beyond their expected useful lives may experience a higher rate of failure. Failure of aging infrastructure could result in increased capital expenditures and O&M expenses and other costs. In addition, failure of aging infrastructure may result in property damage, and in safety, environmental and public health impacts. To the extent that any increased costs or expenditures are not fully recovered in rates, our results of operations, liquidity and cash flows could be negatively impacted.

Seasonality could adversely affect the volume of water sold and our revenues.

The volume of water we sell during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, the volume of water sold tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the amount of water we sell may decrease and adversely affect our revenues.

Two of our jurisdictions, California and Illinois, currently have revenue stability mechanisms that permit us to recover the revenues authorized in a general rate case, regardless of sales volume. Revenue stability mechanisms are designed to recognize declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In those jurisdictions that have not adopted a revenue stability mechanism, our operating results could continue to be affected by seasonality.

Contamination of water supplies or our water service provided to our customers could result in service limitations and interruptions and exposure to substances not typically found in potable water supplies, and could subject us and our subsidiaries to reductions in usage and other responsive obligations, government enforcement actions, damage to our reputation and private litigation.

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, may be subject to contamination, including, among other

items, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from manufactured sources (such as perchlorate, perfluorinated and polyfluorinated compounds, methyl tertiary butyl ether, 1,4-dioxane, lead and other materials, or chemical spills or other incidents that result in contaminants entering the water source), and possible terrorist attacks or other similar incidents. In addition, new categories of contaminants continue to emerge in the water industry. If one of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) limiting use of the water supply under a "Do Not Use" protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply, in whole or in part, potentially impacting basic sanitation and fire protection needs. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through the expansion of our current treatment facilities or the development of new sources of supply or new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms, and any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies. See Item 3—Legal Proceedings for information on certain pending lawsuits related to interruptions of water service.

Since we are engaged in the business of providing water service to our customers, contamination of the water supply, or the water service provided to our customers, could result in substantial injury or damage to our customers, employees or others and we could be exposed to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and may be brought by our customers or third parties. Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur. We may not be protected from these claims or negative impacts of these claims in whole or in part by tariffs or other contract terms. Negative impacts to our reputation may occur even if we are not liable for any contamination or other environmental damage or the consequences arising out of human exposure to contamination or hazardous substances within the water supply or distributed finished drinking water. In addition, insurance coverage may not cover all or a portion of these losses, and are subject to deductibles and other limitations. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or sanctions.

Our business and operations have a large direct and indirect customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water service, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, content, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment arising out of our operations may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory investigations or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include negative investigative conclusions and/or findings, the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our long-term contracts related to MSG, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

The failure of, or the requirement to repair, upgrade or dismantle, any of our dams may adversely affect our financial condition, results of operations, cash flows and liquidity.

The properties of our Regulated Businesses segment include 74 dams, the majority of which are earthen dams. The failure of any of these dams could result in personal injury and property damage, including without limitation downstream property damage, for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

We also are required from time to time to decommission, repair or upgrade the dams that we own. The cost of such repairs or upgrades can be and has been material. The federal and state agencies that regulate our operations may adopt rules and regulations requiring us to dismantle our dams, which also could entail material costs. Although in most cases the PUC has permitted recovery of expenses and capital investment related to dam rehabilitation, we might not be able to recover costs of repairs, upgrades or dismantling through rates in the future. The inability to recover these costs or delayed recovery of the costs as a result of regulatory lag can affect our financial condition, results of operations, cash flows and liquidity.

Any failure of our network of water and wastewater pipes, water mains and water reservoirs could result in losses and damages that may affect our financial condition and reputation.

Our operating subsidiaries distribute water and collect wastewater through an extensive network of pipes, water mains and storage systems located across the United States. A failure of major pipes, mains or reservoirs could result in injuries, property and other damage for which we may be liable. The failure of major pipes, mains and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water and wastewater delivery requirements prescribed by government regulators, including state PUCs with jurisdiction over our operations, and adversely affect our financial condition, results of operations, cash flows, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future. Moreover, to the extent such business interruptions or other losses are not covered by insurance, they may not be recovered through rate adjustments.

An important part of our growth strategy is the acquisition of water and wastewater systems, which involves risks, including competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers, which may hinder or limit our ability to grow our business.

An important element of our growth strategy is the acquisition and optimization of water and wastewater systems to broaden our current, and move into new, service areas. We may not be able to acquire other systems or businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates, and whether or not any particular acquisition is successfully completed, these activities are expensive and time consuming and are subject to the availability of capital and personnel resources to complete such acquisitions.

As consolidation activity increases in the water and wastewater industries and competition from other regulated utilities, governmental entities and other strategic and financial buyers continues to increase, the prices for suitable acquisition candidates may increase and our ability to expand through acquisitions may otherwise be limited.

The negotiation and execution of potential acquisitions as well as the integration of acquired systems or businesses with our existing operations could require us to incur significant costs and cause diversion of our management's time and resources. Future acquisitions by us could result in, among other things:

- unanticipated capital expenditures;
- unanticipated acquisition-related expenses;
- incurrence or assumption of debt, contingent liabilities and environmental liabilities and obligations, including liabilities that were unknown or undisclosed at the time of acquisition;
- failure to recover acquisition adjustments or premiums due to unfavorable decisions by PUCs and other governmental authorities;
- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly and/or annual results;
- failure to realize anticipated or perceived benefits and synergies, such as desired return on equity or profitability, cost savings and revenue enhancements; and
- difficulties in integrating or assimilating acquired systems' operations, personnel, benefits, services and systems and water quality, cybersecurity and infrastructure protection measures.

Some or all of these items could have a material adverse effect on our business. In addition, state laws on acquisition treatment or PUC interpretation thereof may affect our ability to recover costs associated with our investments in newly-acquired water and wastewater systems and any difficulties we encounter in the negotiation, execution or integration process could have a material adverse impact on our results of operations, reduce our net income and profitability or adversely affect our internal control over financial reporting.

Our Regulated Businesses are subject to condemnation and other proceedings through eminent domain or other similar authorized process, which could materially and adversely affect their results of operations and financial condition.

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. A municipality, other government subdivision or a citizen group may seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition. For example, on December 15, 2023, the MPWMD filed eminent domain litigation against Cal Am in Monterey County Superior Court with respect to the Monterey system assets. See Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets—Potential Condemnation for additional information regarding this matter.

Furthermore, the law in certain jurisdictions in which our Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if the public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has disallowed recovery in rates of losses incurred by these utilities as a result of such lawsuits.

Contesting an exercise of condemnation, eminent domain or other similar process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management. Moreover, our

efforts to resist the condemnation, eminent domain or other process may not be successful, which may require us to sell the operations at issue in a condemnation proceeding or to pay a private property owner compensation for the property damage suffered. If a municipality or other government subdivision succeeds in acquiring the assets of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant charges. Any of these outcomes may have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

We may be subject to physical and cyber attacks.

As operators of critical infrastructure, we may face a heightened risk of physical and cyber attacks from internal or external sources. Our water and wastewater systems may be vulnerable to disability or failures as a result of physical or cyber attacks, acts of war or terrorism, vandalism or other causes. Our operational and technology systems throughout our businesses may be vulnerable to unauthorized external or internal access, due to hacking, viruses, acts of violence, war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our sensitive information, could also be targets of cyber attacks and unauthorized access to their operational or technology systems. While we have instituted what we believe are reasonable and appropriate safeguards to protect our operational and technology systems, those safeguards may not always be effective due to the evolving nature of cyber attacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful to prevent or mitigate a cyber attack.

If, despite our security measures, a significant physical attack or cyber breach occurred, our operations could be disrupted, property damaged, and customer and other confidential information lost or stolen; we could experience substantial loss of revenues, response costs and other financial loss; we could suffer a loss or redirection of management time, attention and resources from our regular business operations; we may be subject to increased regulatory requirements; and we may experience litigation and damage to our reputation, any of which could have a negative impact on our business, results of operations and cash flows. Applicable laws and regulations or contracts may require us to report cybersecurity incidents or breaches or securely maintain confidential data in the event that we experience a physical or cyber security incident. Our efforts to comply with such laws and regulations or contractual provisions, or our failure to do so, may cause us to incur costs related to legal claims or proceedings and regulatory fines or penalties. These types of events, and their resulting impacts, either to our facilities or assets, those of third parties, or the industry in general, could also cause us to incur additional security and insurance related costs. In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that have been and will continue to be targets of cyber attacks. Any theft, loss or fraudulent use of customer, employee or proprietary data as a result of a cyber attack on us or a vendor could also subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

We have obtained insurance to provide coverage for a portion of the losses and damages that may result from a physical attack, cyber attack or a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss or damage caused by an attack or a breach. In the future, adequate insurance may not be available at rates that we believe are reasonable, and the costs of responding to and recovering from a physical attack, cyber attack or security breach incident may not be covered by insurance or recoverable in rates.

Our business is subject to complex and evolving federal, state and local laws and regulations regarding consumer privacy and the protection or transfer of data relating to individuals, which could result in, among other things, public disclosure of incidents, private or governmental claims or litigation against us, changes to our business practices, monetary penalties, reputational harm and increased cost of operations.

Laws and regulations are changing and increasing rapidly with respect to data and consumer privacy, security and protection. We are subject to an increasing number of complex and continually evolving data and consumer privacy, security and protection laws and regulations administered by various federal, state and local governments, including, for example, the California Privacy Rights Act, together with its amendments and implementing regulations, the Virginia Consumer Data Protection Act and the Cyber Incident Reporting for Critical Infrastructure Act of 2022. New laws and regulations may require us to disclose incidents to authorities, regulators and/or the public, when we otherwise may not have been required to disclose such incidents under previous laws and regulations, and such disclosures could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Federal and state governments have also adopted or are proposing other limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information. In addition, the Federal Trade Commission and state attorneys general are applying federal and state consumer protection laws to impose standards on the collection, use and dissemination of data. Moreover, we expect that current laws, regulations and industry standards concerning privacy, data protection and information security in the United States will continue to evolve and increase, and we cannot determine the impact that compliance with such future laws, regulations or standards will have on us or on our business. Any failure or perceived failure by us to comply with current or future federal, state, or local data or consumer privacy or security laws, regulations, policies, guidance, industry standards, or legal obligations, or any incident resulting in unauthorized access to, or the acquisition, release, or transfer of, personally identifiable information or other data relating to our customers, employees and others, may result in private or governmental enforcement actions, litigation or other claims against us, fines and penalties, or adverse perception or publicity about us and our businesses. These events could also require us to change our business practices, and the events or such changes may result in significant diversions of resources, distract management and divert the focus and attention of our security and technical personnel from other critical activities. Any of the foregoing consequences could have a material adverse effect on our business, reputation, financial condition, results of operations, cash flows and liquidity.

We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

We maintain insurance coverage, some of which may be self-insured, as part of our overall legal and risk management strategy to minimize potential liabilities arising from our operations. Our insurance programs have varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker's compensation, employer's liability, general liability, cybersecurity, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage, or for which we are self-insured and must therefore utilize our own financial resources to cover such losses. Although in the past we have been generally able to obtain insurance coverage related to our business, there can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

We rely on technology to facilitate the management of our business as well as our customer and supplier relationships, and a failure or disruption of implemented technology could materially and adversely affect our business.

Technology is an integral part of our business and operations, and any failure or disruption of the technology or related systems we implement could significantly limit our ability to manage and operate our

business effectively and efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. We use technology systems to, among other things, bill customers, process orders, provide customer service, manage certain plant operations and construction projects, create and manage our financial records and other operational data, track assets, remotely monitor our plants and facilities, and manage human resources, supply chain, inventory, and accounts receivable collections. As a specific example, we depend on water meters to record and communicate the amount of water our customers use, which information in turn is used to generate customer bills, and in recent years, we have experienced greater than expected performance failures with certain water meters used in the Regulated Businesses. When failures occur, we work with meter manufacturers to determine and address the cause of such failures. While these and other failures that we have experienced have not to date had a material adverse effect on our operations, there can be no assurance that efforts to address performance failures or other issues we may experience with water meters or other implemented technology will be successful in the future and that these or future failures of water meters or other technological issues will not have a material adverse effect on us.

Although we do not believe that the technology we have implemented or may in the future implement is at a materially greater risk of failure than that used by other similar organizations, our technology and operations that use or rely on technology remain vulnerable to damage or interruption from, among other things: failure or interruption of the technology or its related systems; loss or failure of power, internet, telecommunications or data network systems; and operator error or improper operation by, the negligent or improper supervision of, or the intentional acts of, employees, contractors and other third parties. Any or all of these events could have a material adverse impact on our business, results of operations, financial condition and cash flows.

An inability to successfully develop and implement new technologies poses substantial risks to our business and operational excellence strategies, which could have a material adverse effect on our business and financial results.

A significant part of our long-term strategic plan focuses on safety, operational excellence, cost and expense efficiency (including O&M expense efficiency), water quality and affordability, asset and capital management and the customer experience. For example, we have made and plan to continue to make significant investments in developing, deploying, integrating, enhancing and maintaining customer-facing technologies, applications to support field service and customer service operations, water source sensor and evaluation technologies, meter data management and analytics, and intelligent automation technologies. There can be no assurance that we will be successful in designing, developing, deploying, integrating or maintaining these new technologies. Because these efforts can be long-term in nature, these new technologies may be more costly or time-consuming than expected to design, develop, integrate and complete and may not ultimately deliver the expected or desired benefits upon completion. While we have and will continue to seek to recover costs and earn a return on capital expenditures with respect to the costs and expenses of development and deployment of these new technologies in our Regulated Businesses, there can be no assurance that we will be able to do so in every instance or at all, and our inability to do so may adversely affect our ability to achieve intended cost and expense, including O&M expense, efficiencies or other key performance results and, ultimately, could materially and adversely impact our business, financial condition, results of operations and cash flows.

Our inability to efficiently upgrade and improve our operational and technology systems, or implement new systems, could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management’s time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees’ ability to effectively use the new or upgraded system. We have implemented, and will continue to implement, technology to improve our business processes and customer interactions (including, without limitation, in connection with the installation or upgrade of our enterprise resource planning systems, and to support our cybersecurity

program), and have installed new, and upgraded existing, technology systems. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

Disruptions in our supply chain related to goods, such as pipe, chemicals, power and other fuel, equipment, water and other raw materials, and services, could adversely impact our operations and our ability to serve our customers, as well as our financial results.

Our ability to serve our customers and operate our business in compliance with regulatory requirements is dependent upon purchasing or securing necessary goods and services from our suppliers and vendors. These items include but are not limited to contracted services, chemicals, pipe, valves, hydrants, fittings, equipment (including personal protective equipment), water, and power and other fuel. Examples of supply chain disruptions include reduced quantities of goods available in the marketplace, delays in manufacturing or shipping goods, labor shortages at our suppliers or vendors, natural or other disasters and operational impacts to some of our suppliers or vendors. Disruptions in our supply chain related to goods and services have occurred and we anticipate will continue to occur into the foreseeable future.

Supply chain disruptions may cause us to be unable to purchase or otherwise obtain needed goods or services at a reasonable price or at all, and may significantly increase the price of goods and services we may obtain from suppliers and vendors. This, in turn, may adversely impact our operations and our ability to serve our customers in compliance with regulatory requirements, as well as our associated results of operations, cash flows and financial condition. While we attempt to plan for and have contingencies in place to address supply chain disruptions, our mitigation efforts may not be successful or may have further negative impacts on us.

Our business has inherently dangerous work sites. If we fail to maintain safe work sites, we may experience workforce or customer injuries or loss of life, and be exposed to financial losses, including penalties and other liabilities.

Safety is a core value and a strategy at American Water. Our safety performance and progress to our ultimate desired goal of zero injuries are critical to our ability to carry out our operations effectively and to serve our customers, and thereby, to support our reputation. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public.

At our business sites, including construction and maintenance sites, our employees, contractors and others are often in close proximity to large mechanical operating equipment, moving vehicles, pressurized water, electric and gas utility lines, below grade trenches and vaults, electrical and pneumatic hazards, fall from height hazards, suspended loads, hazardous chemicals and other regulated materials. On many sites, we are responsible for safety and, accordingly, must implement important safety procedures and practices above governmental regulatory requirements. As an essential business that provides water and wastewater services, we are focused on the health and safety of our employees, contractors, vendors, customers and others who work at or visit our worksites. If the procedures we implement are ineffective or are not followed by our employees, contractors or others, or we fail to implement procedures, our employees, contractors and others may experience illness, or minor, serious or fatal injuries. Unsafe work sites have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the delivery, handling, storage, use and disposal of hazardous chemicals, which, if improperly delivered, handled, stored, used or disposed of, or if the location and identification of these chemicals are not reported accurately or timely, serious injury, death, environmental damage or property damage could result, and we could be subjected to fines, penalties or other liabilities. We are also subject to various environmental, transportation and occupational health and safety regulations. Although we maintain functional employee groups whose primary purpose is to implement effective environmental health and safety work procedures and practices throughout our organization, including construction sites and operating facilities, the failure to comply with these regulations or procedures could subject us to liability.

Work stoppages and other labor relations matters could adversely affect our results of operations and the ability to serve our customers.

As of December 31, 2023, approximately 47% of our workforce was represented by unions, and we had 73 collective bargaining agreements in place with 14 different unions representing our unionized employees. These collective bargaining agreements, 21 of which are scheduled to expire during 2024, are subject to periodic renewal and renegotiation. We may not be able to successfully renew or renegotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations, negatively impact the ability to serve our customers, and result in higher labor costs, which could adversely affect our reputation, financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Financial, Economic and Market-Related Risks

Our indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flows to satisfy our liquidity needs.

As of December 31, 2023, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was $12.4 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;
- exposing us to interest rate risk with respect to the portion of our indebtedness that bears interest at variable rates;
- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations;
- impairing our access to the capital markets for debt and equity;
- requiring that an increasing portion of our cash flows from operations be dedicated to the payment of the principal and interest on our debt, thereby reducing funds available for future operations, dividends on our common stock or capital expenditures;
- limiting our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and
- placing us at a competitive disadvantage compared to those of our competitors that have less debt.

During 2023, we utilized existing sources of liquidity, such as our current cash balances, cash flows from operations and borrowings under our commercial paper program, to meet our short-term liquidity requirements.

We believe that existing sources of liquidity will be sufficient to meet our cash requirements for the foreseeable future. In order to meet our capital expenditure and other operational needs, however, we may be required to borrow additional funds under the revolving credit facility. In the event of a sustained market deterioration, we may need to obtain additional sources of liquidity, which would require us to evaluate available alternatives and take appropriate actions. Moreover, additional borrowings may be required to repay or refinance outstanding indebtedness. Debt maturities and sinking fund payments in 2024, 2025 and 2026 will be $475 million, $619 million and $1,478 million, respectively. We can provide no assurance that we will be able to access the debt or equity capital markets on favorable terms, if at all, to repay or refinance this debt. Moreover, as new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to repay or refinance existing debt on favorable terms.

We have in the past entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly "mark to market" valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

Our ability to pay our expenses and satisfy our debt service obligations depends in significant part on our future performance, which will be affected by the financial, business, economic, competitive, legislative (including tax initiatives and reforms, and other similar legislation or regulation), regulatory and other risk factors described in this section, many of which are beyond our control. If we do not have sufficient cash flows to pay the principal and interest on our outstanding debt, we may be required to refinance all or part of our existing debt, reduce capital investments, sell assets, borrow additional funds or sell additional equity. In addition, if our business does not generate sufficient cash flows from operations, or if we are unable to incur indebtedness sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to changes in our business, which could cause our financial condition, operating results and prospects to be affected materially and adversely.

Our inability to access the debt or equity capital or financial markets or other events could affect our ability to meet our long-term commitments or liquidity needs at reasonable cost, which could adversely affect our financial condition and results of operations.

In addition to cash from operations, during 2023, we relied on a $2.75 billion revolving credit facility, a $2.60 billion commercial paper program, and the debt and equity capital markets, to satisfy our liquidity needs. Historically, we have regularly used our commercial paper program rather than the revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally could obtain in the commercial paper market. As of December 31, 2023, there were no outstanding borrowings under the revolving credit facility, $180 million of commercial paper outstanding and $75 million in outstanding letters of credit. There can be no assurance that we will be able to continue to access this commercial paper program or revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

Our ability to comply with covenants in our revolving credit facility and our other consolidated indebtedness is subject to various risks and uncertainties, including events beyond our control. For example, under the terms of the revolving credit facility, our consolidated debt cannot exceed 70% of our consolidated capitalization, as determined under the terms of the facility. If our equity were to decline or debt were to increase to a level that causes us to exceed this limit, lenders under the facility would be entitled to refuse any further extension of credit and to declare all of the outstanding debt thereunder immediately due and payable. Events that could cause a reduction in equity include, without limitation, a significant write-down of our goodwill. To avoid such a default, a waiver or renegotiation of this covenant would be required, which would likely increase funding costs and could result in additional covenants that would restrict our operational and financing flexibility. Even if

we are able to comply with this or other covenants, the limitations on our operational and financial flexibility could harm our business by, among other things, limiting our ability to incur indebtedness or reduce equity in connection with financings or other corporate opportunities that we may believe would be in our best interests or the interests of our shareholders to complete.

As provided in our five-year capital plan, in order to meet our capital expenditure needs, we intend to issue a combination of short-term and long-term debt securities and/or additional equity shares of common stock. Disruptions in the debt or equity capital markets or changes in our credit ratings or other events could limit our ability to access capital on terms favorable to us or at all. While the lending banks that participate in the revolving credit facility have to date honored their commitments under those facilities, disruptions in the credit markets, changes in our credit ratings, or deterioration of the banking industry's financial condition could discourage or prevent lenders from meeting their existing lending commitments, extending the terms of such commitments, or agreeing to new commitments. In such a case, we may not be able to access the commercial paper, debt or equity capital markets, or other sources of potential liquidity, in the future on terms acceptable to us or at all. Furthermore, our inability to maintain, renew or replace commitments under our revolving credit facility could materially increase our cost of capital and adversely affect our financial condition, results of operations and liquidity. Short- or long-term disruptions or volatility in the debt or equity capital and credit markets as a result of economic, legislative, political or other uncertainties, including as a result of changes in U.S. tax and other laws, reduced financing alternatives, or failures of significant financial institutions could adversely affect our access to the capital necessary to provide adequate liquidity for our business. Significant volatility or disruptions in the debt or equity capital or credit markets, or financial institution failures, could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include delaying or deferring capital expenditures, reducing or suspending dividend payments, and reducing other discretionary expenditures. Finally, even absent significant volatility or disruptions in the capital markets, there can be no assurance that we will be able to access markets to obtain capital or financing when necessary or desirable and on terms that are reasonable or acceptable to us.

The occurrence of any of these circumstances could expose us to increased interest or other expense, require us to institute cash or liquidity conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity, which may limit or impair our ability to achieve our strategic, business and operational goals and objectives.

The conditional exchange feature of the Exchangeable Senior Notes due 2026, if triggered, may adversely effect our liquidity and financial condition and may dilute the ownership interest of our shareholders or may otherwise depress the price of parent company's common stock.

In June 2023, AWCC issued $1,035.0 million aggregate principal amount of its 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). See Note 11—Long-Term Debt in the Notes to the Consolidated Financial Statements for a description of the Notes. In the event the conditional exchange feature of the Notes is triggered and one or more holders elect to exchange their Notes, AWCC would be required to settle any exchanged principal through the payment of cash, which could adversely affect our liquidity. In addition, in that case, even if holders do not elect to exchange their Notes, we would be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. If AWCC elects to settle the portion, if any, of an exchange obligation in excess of the aggregate principal amount of the Notes being exchanged in shares of parent company common stock or a combination of cash and shares of such common stock, any sales in the public market of the common stock deliverable upon such exchange could adversely affect prevailing market prices of parent company common stock. In addition, the existence of the Notes may encourage short selling by market participants because the exchange of the Notes could be used to satisfy short positions, and any anticipated exchange of the Notes for shares of such common stock could depress the price of such common stock.

Parent company may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds.

Parent company is a holding company and, as such, it has no substantive operations of its own. Substantially all of our consolidated assets are held by subsidiaries. Parent company's ability to meet its financial obligations and to pay dividends on its common stock is primarily dependent on the net income and cash flows of its subsidiaries and their ability to pay upstream dividends or repay indebtedness to parent company. Prior to paying dividends to parent company, our regulated subsidiaries must comply with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations and agreements, and our covenants and other agreements. Our subsidiaries are separate legal entities and have no obligation to pay or upstream dividends to parent company. A failure or inability of any of these subsidiaries to pay such dividends or repay intercompany obligations could have a material adverse impact on our liquidity and parent company's ability to pay dividends on its common stock and meet its other obligations.

We have a significant amount of goodwill and other assets measured and recorded at fair value on a recurring basis, and we may be required to record impairments or changes in fair value to these assets, which may negatively affect our financial condition and results of operations.

Our assets as of December 31, 2023, included $1.1 billion of goodwill and $236 million of total assets measured and recorded at fair value on a recurring basis. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, in the past, we have taken significant non-cash charges to operating results for impairments to goodwill or other intangible assets, and have recorded changes in fair value of financial instruments and other assets. We may be required to recognize in the future an impairment of goodwill or a change in fair value of financial instruments or certain other assets due to market conditions, other factors related to our performance or the performance of an acquired business, or other circumstances that may impact the fair value of a financial instrument or the other asset. See Note 18—Fair Value of Financial Information in the Notes to the Consolidated Financial Statements for information on the fair value of financial and other assets. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or other circumstances. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill and changes in fair value of certain of our other assets would result in a charge to income in the period in which the impairment or change occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment or change could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

Market volatility and other conditions may impact the value of benefit plan assets and liabilities, as well as assumptions related to the benefit plans, which may require us to provide significant additional funding.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations and volatility, which may cause investment returns to fall below our projected return rates. A decline in the market value of our pension and postretirement benefit plan assets as of the measurement date or a change in the projection of the future return on plan assets can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement

benefit plan liabilities are sensitive to changes in interest rates. Interest rates have experienced volatility and are subject to potential further adjustments based on the actions of the U.S. Federal Reserve, and others. If interest rates are lower at the current measurement date than the prior measurement date, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in assumptions, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected. In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that the discount rate used in our assumptions is reduced, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

Additional Risks Related to Other Businesses

Parent company provides performance guarantees with respect to certain of the obligations of our Other businesses, including financial guarantees or deposits, which may adversely affect parent company if the guarantees are successfully enforced.

Under the terms of certain agreements under which our Other businesses, primarily MSG, provide water and wastewater services to municipalities and federal governmental entities, parent company provides guarantees of specified performance obligations, including financial guarantees or deposits. In the event these obligations are not performed, the entity holding the guarantees may seek to enforce the performance commitments against parent company or proceed against the deposit. In that event, our financial condition, results of operations, cash flows and liquidity could be adversely affected. At December 31, 2023, we had remaining performance commitments, as measured by remaining contract revenue, and primarily related to MSG's contracts, totaling approximately $7.8 billion, of which $1.2 billion are guaranteed by parent company and the remainder is guaranteed by certain subsidiaries in Other. The aggregate amount of remaining performance commitments is likely to increase as the number of military bases served by MSG increases. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

MSG's operations are subject to various risks associated with doing business with the U.S. government.

MSG enters into contracts with the U.S. government for the operation and maintenance of water and wastewater systems, which contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In addition, the contract price for each of these military contracts is typically subject to either an annual economic price adjustment, or a price redetermination two years after commencement of operations and every three years thereafter. Any early contract termination or unfavorable annual economic price adjustment or price redetermination could adversely affect our financial condition, results of operations and cash flows. Moreover, entering into contracts with the U.S. government subjects us to a number of operational and compliance risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. We are subject to potential government investigations of our business practices and compliance with government procurement and security regulations, which are complex, and compliance with these regulations can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended or debarred from bidding on or receiving awards of new contracts with the U.S. government or our existing contracts could be terminated, which could have a material adverse effect on our results of operations and cash flows.

General Risk Factors

New accounting standards or changes to existing accounting standards could materially impact how we report our results of operations, cash flows and financial condition.

Our Consolidated Financial Statements are prepared in accordance with GAAP. The SEC, the Financial Accounting Standards Board or other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies or critical accounting estimates. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flows and financial condition. We could be required to apply a new or revised standard retroactively, which could also adversely affect our previously reported results of operations, cash flows and financial condition.

Undetected errors in internal controls and information reporting could result in the disallowance of cost recovery and noncompliant disclosure.

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP, taxation requirements, federal securities laws and regulations and other laws and regulations applicable to us. We have also implemented corporate governance, internal control and accounting policies and procedures in connection with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and relevant SEC rules, as well as other applicable regulations. Management is also responsible for establishing and maintaining internal control over financial reporting and disclosure controls and procedures and is required to assess annually the effectiveness of these controls. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated or unauthorized actions of employees or temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to undetected errors that could result in the disallowance of cost recovery and non-compliant disclosure and reporting. The consequences of these events could have a negative impact on our results of operations, cash flows and financial condition. The inability of management to certify as to the effectiveness of these controls due to the identification of one or more material weaknesses in these controls could also harm our reputation, increase financing costs or adversely affect our ability to access the capital markets.

Our continued success is dependent upon our ability to attract, hire and retain highly qualified, skilled and/or diverse talent.

The success of our business is dependent upon our ability to attract, hire and retain highly qualified, skilled and/or diverse talent, including engineers, licensed operators, water quality, regulatory and management professionals who have the desired experience and expertise. Similar to other organizations, the Company may have challenges implementing its human capital management, recruitment and employee succession plans to attract and retain such talent based on a number of factors including, among others, market conditions, retirements and geography. If we are unable to meet these human capital resource challenges, our business, financial condition, results of operations and cash flows may be materially and adversely impacted.

Our business may be adversely affected by the intentional misconduct of our employees and contractors.

Our Code of Ethics requires employees and contractors to make decisions ethically and in compliance with applicable law and regulatory requirements, and our Code of Ethics and its underlying policies, practices and procedures. All employees are required to complete training on and review the Code of Ethics on an annual basis, and violations of the Code of Ethics could result in disciplinary actions up to, and including, termination. Despite these efforts to prevent misconduct, it is possible for employees or contractors to engage in intentional misconduct and violate laws and regulations through, among other things, theft, fraud, misappropriation, bribery, corruption and engaging in conflicts of interest or related person transactions, or otherwise committing serious breaches of our Code of Ethics and our policies, practices and procedures. Intentional misconduct by employees

or contractors could result in substantial liability, higher costs, increased regulatory scrutiny and significant reputational harm, any of which could have a material adverse effect on our financial condition, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

The Company's Cybersecurity Program

The Company's cybersecurity program is an integral part of the long-term sustainability and effectiveness of the Company's operational and technology environment. To protect the integrity of its data and operational and technology systems, the Company employs a "defense-in-depth" strategy that uses multiple security measures. This strategy aligns with the National Institute of Standards and Technology Cyber Security Framework and provides preventative, detective, and responsive measures to identify and manage risks. The Company periodically reviews and modifies the implementation of its cybersecurity strategy based on threat trends, program maturity, the results of assessments, and the advice of third-party security consultants.

The Company's cybersecurity program includes the following areas of focus:

- Technology that includes, among other things, encryption, threat management, monitoring, investigation support and backups for physical devices, such as mobile phones and computers, connected to the Company network;
- Identity and access management controls that include, among other things, multi-factor authentication and safeguards associated with granting elevated privileges;
- Proactive cybersecurity processes, including vulnerability scanning, penetration testing and periodic program assessments by outside security consultants and assessors;
- Reactive cybersecurity processes that are regularly evaluated using various incident response and disaster recovery exercises;
- Employee cyber risk awareness and training, including regular simulation exercises with employees, that covers cybersecurity threats and actions to prevent and report attacks; and
- Third-party risk management and security standards, including due diligence, continuous monitoring, cyber risk scoring and contractual obligations, and periodic review of third-party control environments to align the Company's risk exposure with its business requirements and risk tolerances.

Third-Party Relationships

The Company utilizes partners and third-party service providers to help deliver safe and reliable water and wastewater services across its regulated operations and has implemented a third-party risk management program to understand the cybersecurity risks to the Company that may arise out of these third-party relationships. The Company categorizes third-party relationships by risk level, which is determined primarily by the service provided by the third-party and its level of access to the Company's data. Each category has specific cybersecurity controls, data privacy and documentation requirements, which are outlined in the agreement between the Company and the third-party service provider. In addition, the Company evaluates the online security footprint for its service providers at the time of agreement, and on a regular basis, thereafter, depending on the provider's risk level. The Company reviews its agreements with third-party service providers periodically related to terms and conditions governing cybersecurity controls and data privacy. The Company also monitors, as appropriate, risks relating to potential compromises of sensitive Company information through third parties

and reevaluates these risks periodically. In addition, the Company obtains annual attestation reports related to data security and privacy from certain third-party providers to further support compliance with industry-standard cybersecurity protocols.

Cybersecurity Risks

The Company believes that its current preventative actions and response activities provide reasonable measures of protection against security breaches and serve generally to reduce the Company's overall cybersecurity risk. However, cybersecurity threats are constantly evolving and have and will continue to become more frequent and sophisticated. Although the Company has implemented measures that it believes are reasonable to safeguard its operational and technology systems and has sought to establish a culture of continuous monitoring and improvement, the evolving nature of cybersecurity attacks and vulnerabilities means that these protections may not always be effective. In addition, the Company has obtained insurance to provide coverage for a portion of the losses and damages that may result from a cyber attack or a security breach, but such insurance is subject to exclusions, limitations and exceptions, and may not cover the total loss or damage caused by an attack or breach. To date, management has determined that no cybersecurity incident experienced by the Company has resulted in a material impact on its financial condition, results of operations or business strategy. For additional information concerning cybersecurity-related risks, see Item 1A—Risk Factors—We may be subject to physical and cyber attacks, and —We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

Cybersecurity Risk Management and Strategy

The Company has established an enterprise-wide cybersecurity program designed to prevent disruption to critical information systems, minimize the loss or manipulation of sensitive information, and to timely identify, escalate and promptly remediate and recover from cybersecurity incidents and facilitate compliance with regulatory and disclosure requirements. To oversee cybersecurity risk management, the Company employs a dedicated unit, led by the Company's Chief Security Officer ("CSO"), to implement cybersecurity controls, assess and report on cybersecurity risks and consult with the Company's internal Enterprise Risk Management Committee, a decision-making body which supports and oversees the identification, assessment, prioritization, and mitigation strategies for enterprise-level risks, including cybersecurity risks. The Company's CSO has 23 years of work experience in the cybersecurity field throughout various industries, including the utility sector, and has obtained several professional certifications, including from the International Information System Security Certification Consortium. The CSO reports directly to the Company's Chief Information Officer ("CIO"), who is responsible for the Company's information technology program. The CIO has over 25 years of work experience in the information technology, physical security and cybersecurity fields, including previously serving as the Company's CSO, and holds the Certified Protection Professional, Professional Certified Investigator and Physical Security Professional certifications from ASIS International. The CIO serves on the Water Sector Coordinating Council ("WSCC"), an advisory body comprised of representatives from various U.S. water and wastewater organizations, which serves as a policy, strategy and coordination mechanism for the water sector on critical infrastructure security and resilience issues. In that role, the CIO partners with representatives from the Department of Homeland Security and the EPA on U.S. water and wastewater sector initiatives. The CIO is also the former Chair of the WSCC, the National Association of Water Companies' Safety and Security Committee, and the ASIS Utility Security Council.

The Company's security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout the Company's operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company's physical assets, business systems and operational technologies. The Company's security team also conducts annual and ongoing cybersecurity awareness training and education for the Company's employees. In 2023, 100% of the Company's active workforce completed mandatory cybersecurity training. By equipping employees with knowledge and skills, the Company strives to cultivate and maintain a cybersecurity-conscious culture within its workforce.

The Company's cybersecurity risk assessment process involves considering risks associated with the nature of its business, receiving and processing inputs from internal and external stakeholders, monitoring industry trends and risks and engaging external advisors, to assist in aligning the Company's cybersecurity processes with industry best practices. Risk assessments are conducted quarterly and annually to evaluate the effectiveness of the Company's existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against unauthorized access to the Company's information systems. These controls are aimed at (i) assuring the continuity of business processes that are dependent upon automation, (ii) maintaining the integrity of the Company's data, (iii) supporting regulatory and legislative compliance requirements, and (iv) maintaining safe and reliable service to the Company's customers.

The Company has also implemented a vulnerability assessment program that is conducted at least annually and more frequently, depending on the nature of the risk. This process serves as a guiding enterprise-wide framework to outline the scope and procedures of the Company's cybersecurity risk management processes. By prioritizing vulnerability management and continuously evaluating the Company's internal and external environments for vulnerabilities, the Company aims to implement preventative measures to protect its information assets and technology-based infrastructure from cybersecurity threats. This approach helps to reduce the Company's exposure to material cybersecurity threat risks.

Incident Response

The Company utilizes an established internal framework designed to assess promptly the severity and materiality of cybersecurity incidents based on predefined quantitative and qualitative criteria and to determine the appropriate level of response. Incidents are escalated to the relevant management teams based on their severity and materiality for prompt response and mitigation. The Company maintains a standing crisis response team comprised of individuals from various functional units, including without limitation Information Technology, Legal, Finance, Enterprise Risk Management, Operations and Communications, to respond to cybersecurity and physical security incidents, environmental incidents and health and safety emergencies, among others.

If a cybersecurity incident were to occur, the Company would establish a cross-functional incident response team to respond to the specific cybersecurity incident. The incident response team would consist of a subset of members from the standing crisis response team, including personnel with the most relevant experience related to the specific incident. This collaborative approach is intended to enable the Company to leverage expertise throughout the business to address cybersecurity events and to evaluate the potential financial, legal, operational and reputational implications of an incident, or series of related incidents. In considering the materiality of an event, related attacks, whether in terms of quantity or impact, are reviewed individually and in the aggregate to determine whether they may have a significant impact on the Company's financial condition, results of operations or business strategy, either quantitatively or qualitatively.

Cybersecurity Governance

The Board of Directors is responsible for oversight of the Company's cybersecurity program and the Company's responses to cybersecurity risk. The Board of Directors has delegated to the Safety, Environmental, Technology and Operations ("SETO") Committee of the Board of Directors responsibility for the oversight and review of technology policy, strategy and governance, and cybersecurity issues that could impact the Company's operational performance or risk profile. The SETO Committee meets at least quarterly and receives reports from the CIO and CSO related to cybersecurity threats, trends and risks, and related mitigation activities. In addition, the SETO Committee and the Board of Directors receive reports of periodic external assessments and internal testing of the effectiveness of the Company's cybersecurity program. The SETO Committee coordinates with the Audit, Finance and Risk Committee of the Board of Directors, as appropriate, on matters related to cybersecurity risk. The Audit, Finance and Risk Committee is responsible for, among other things, overseeing the adequacy

and effectiveness of the Company's system of internal controls and the Company's risk assessment and management strategy, including with respect to cybersecurity risks.

ITEM 2. PROPERTIES

The Company's properties consist primarily of (i) water and wastewater treatment plants, (ii) mains and pipes used for transmission, distribution and collection of water and wastewater, (iii) wells and other sources of water supply, such as reservoirs, (iv) water and wastewater pumping stations, (v) meters and fire hydrants, (vi) general structures, including buildings, dams and treated water storage facilities, (vii) land and easements, (viii) vehicles, (ix) software rights, and (x) other equipment and facilities, the majority of which are used directly in the operation of its systems. Substantially all of the Company's properties are owned by its subsidiaries, with a large percentage subject to liens of its mortgage bonds. A wholly owned subsidiary of parent company owns the Company's corporate headquarters, located in Camden, New Jersey, and the Company and its operating subsidiaries lease office space, equipment and furniture from certain of the Company's wholly owned subsidiaries. These properties are utilized by the Company's directors, officers and staff in the conduct of the business.

The properties of the Company's Regulated Businesses consist mainly of approximately:

- 80 surface water treatment plants;
- 540 groundwater treatment plants;
- 175 wastewater treatment plants;
- 53,700 miles of transmission, distribution and collection mains and pipes;
- 1,200 groundwater wells;
- 1,700 water and wastewater pumping stations;
- 1,100 treated water storage facilities; and
- 74 dams.

The Company has ongoing infrastructure renewal programs in all states in which its Regulated Businesses operate. These programs consist of both the rehabilitation of existing mains and equipment, and the replacement of mains and equipment that have been damaged or have reached, or are near, the end of their useful service lives. The properties within Other consist mainly of office furniture and IT equipment. Approximately 50% of all properties that the Company owns are located in New Jersey and Pennsylvania.

The Company maintains property insurance against loss or damage to its properties by fire or other perils, subject to certain exceptions. For insured losses, the Company is self-insured to the extent that any losses are within the policy deductible or exceed the amount of insurance maintained.

The Company believes that its properties are generally maintained in good operating condition and in accordance with current standards of good water and wastewater industry practice.

ITEM 3. LEGAL PROCEEDINGS

Set forth below is information related to the Company's material pending legal proceedings as of February 14, 2024, other than ordinary routine litigation incidental to the business, required to be disclosed in this Annual Report on Form 10-K. The information below should be read together with Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with SWRCB Orders to Reduce Carmel River Diversions

Under the 2009 Order, Cal Am is required, among other things, to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. See Item 1—Business—Regulated Businesses—Water Supply and Wastewater Services and Item 1A—Risk Factors. The 2009 Order responded to claims that Cal Am had not sufficiently implemented actions to terminate its unpermitted diversions of water from the Carmel River as required by the 1995 Order issued by the SWRCB. In July 2016, at the request of Cal Am and several Monterey County government agencies, the SWRCB issued the 2016 Order approving a deadline of December 31, 2021, for Cal Am's compliance with the 2009 Order.

The 2009 Order includes a condition prohibiting Cal Am from diverting water from the Carmel River for new service connections or for any increased use of water at existing service addresses resulting from a change in zoning or use. In 2011, the California Public Utilities Commission (the "CPUC") issued a decision directing modifications in Cal Am's tariffs to recognize the moratorium mandated by the 2009 Order, and directing Cal Am to seek written guidance from the SWRCB with respect to any unresolved issues of interpretation or implementation of this condition. In 2012, the Deputy Director of the SWRCB sent a letter to Cal Am providing an interpretation as to the calculation of a baseline to determine increases in use of water at existing service addresses. In March 2018, the MPWMD adopted a resolution directing Cal Am to interpret the baseline in a manner that conflicts with the SWRCB's written interpretation. In May 2018, Cal Am notified the MPWMD and the SWRCB that it intends to seek declaratory relief concerning the conflicting regulatory interpretations under the 2009 Order. In an attempt to resolve these conflicting interpretations prior to seeking judicial intervention, Cal Am has met with the MPWMD and the SWRCB several times. The SWRCB agreed to circulate revisions to its 2012 interpretive letter, which would be subject to a public comment period. Any failure to follow the MPWMD's resolution or the SWRCB's written interpretation, despite these conflicting interpretations, could potentially result in fines, penalties and other actions against Cal Am.

Following issuance by the Coastal Commission in November 2022, of a coastal development permit, as described below, Cal Am continues to work constructively with all appropriate agencies to obtain the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2023, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2024, and future years may be impacted by a number of factors, including without limitation potential recurrence of drought conditions in California and the reduction or exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

Cal Am's ability to move forward on the Water Supply Project is and has been subject to extensive administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to the incurred $50 million in associated costs plus AFUDC, subject to meeting certain criteria.

In 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a CPCN and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, O&M costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $241 million in aggregate costs as of December 31, 2023, related to the Water Supply Project, which includes $72 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and in November 2021, Cal Am filed an application with the CPUC that sought review and approval of the amended and restated water purchase agreement. Cal Am also requested rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This requested amount was in addition to, and consistent in regulatory treatment with, the prior $50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its unanimous 2016 final decision.

On December 5, 2022, the CPUC issued a final decision that authorizes Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately $62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities.

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision. On March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing but adopting its proposed AFUDC for already incurred and future costs. The decision also provides Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings were scheduled in a Phase 2 to this CPUC proceeding to focus on updated supply and demand estimates for the Water Supply Project, and Phase 2 testimony was completed in September 2022. On October 23, 2023, a status conference was held to determine procedural steps to conclude the proceeding. Further evidentiary hearings in this proceeding have been scheduled for March 2024.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions, as amended by its March 30, 2023 rehearing decision. See Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements for further discussion.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am's appeal of the City's denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

In October 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

In November 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. Cal Am continues to seek the remaining permits necessary to construct the Water Supply Project.

In December 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency ("GSA"), and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the MPWSP slant wells. Cal Am is named as a real party in interest. On November 14, 2023, the court set an initial trial date of May 1, 2024. This matter remains pending.

Subject to the impact or resolution of this litigation, construction of the desalination plant is expected to begin in 2025 and the desalination plant is estimated to be in-service by the end of 2027.

Desalination Plant Development Permit

The proposed desalination plant for the Water Supply Project is to be located in an unincorporated portion of Monterey County, California, on a site owned by CEMEX, Inc. ("CEMEX"), and requires a combined development permit from Monterey County prior to commencement of construction. In April 2019, Monterey County's Planning Commission voted to approve the permit. In July 2019, the Board of Supervisors heard appeals filed by MCWD and a public advocacy group, at which time it denied the appeals and approved the permit. In August 2019, MCWD filed a petition in Monterey County Superior Court challenging Monterey County's approval of Cal Am's combined development permit application and seeking injunctive relief to enjoin

Monterey County and Cal Am from commencing construction of the desalination plant. In October 2019, after a hearing, the court denied, without prejudice, MCWD's motion for a preliminary injunction, but issued a stay of Monterey County's approval of the combined development permit, precluding commencement of physical construction of the desalination plant, but allowing Cal Am to continue to obtain permits needed for the desalination plant's construction. In January 2021, the court issued its decision granting in part and denying in part MCWD's petition. The court found that Monterey County did not completely comply with all of the requirements necessary to approve the combined development permit and set aside its approval so that Monterey County could come into compliance. The court denied all of MCWD's other claims. The court also lifted its stay on physical construction at the plant site.

In May 2021, Cal Am filed a notice of appeal as to the Monterey County Superior Court's January 2021 decision, seeking to challenge the court's decision on Monterey County's statement of overriding considerations. Monterey County filed a notice of appeal as to the same issue in May 2021. In June 2021, MCWD filed cross-appeals on its claims that had been denied by the court. On September 8, 2023, the court of appeal issued its opinion reversing the trial court's determination in favor of MCWD as to the statement of overriding considerations and rejecting MCWD's appeals on all of its claims that the Monterey County Superior Court had denied. On September 25, 2023, MCWD filed a petition for rehearing in the court of appeal, which was denied on October 4, 2023. On November 13, 2023, MCWD filed a petition for review in the California Supreme Court, which was denied on January 10, 2024.

Proposed Zoning Changes at CEMEX Site for Slant Wells

In August 2018, the City circulated a public review draft of proposed amendments to its local coastal program and zoning ordinance, and placed the matter for consideration on the Planning Commission's agenda for its September 2018 meeting. The proposed amendments would change zoning at the CEMEX site to open space and restrict future uses, including with respect to Cal Am's planned use of the site for the slant wells for the Water Supply Project. Any change to the City's local coastal program must ultimately be approved by the Coastal Commission. Cal Am, CEMEX and the Coastal Commission each submitted letters opposing the proposed amendments. At its November 2018 meeting, the Planning Commission adopted a resolution recommending that the Marina City Council consider approving the amendments.

In December 2018, the Marina City Council considered the proposed amendments. Cal Am, CEMEX and the Coastal Commission again submitted letters opposing the proposed changes, but the City Council unanimously adopted a resolution amending its local coastal plan and a draft amendment to its zoning ordinance. Changes to the ordinance require a second reading before becoming final, which occurred at the City's December 2018 meeting. The changes to the local coastal plan would need to be submitted to the Coastal Commission for approval; however, the Coastal Commission's November 2022 approval of Cal Am's coastal development permit application has rendered moot the impact of these proposed local coastal program and zoning changes on the issuance of the coastal development permit.

Test Slant Well Permitting

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the Coastal Commission approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. Effective February 28, 2018, test slant well pumping ceased, except for minimal maintenance pumping activities, in accordance with Cal Am's coastal development permits. Because Cal Am may use the test slant well as one of the slant wells for the Water Supply Project, Cal Am sought and obtained from the Coastal Commission permit amendments to allow the test slant well to remain in place and be maintained until February 28, 2025. A required lease obtained from the California State Lands Commission, as amended, expires on December 16, 2027.

Water Supply Project Land Acquisition and Slant Well Site Use

In July 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property owned by CEMEX on which intake wells for the Water Supply Project will be located, to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record. A permanent easement granted by CEMEX to Cal Am was recorded in June 2018 to allow Cal Am access to the property and to construct, operate and maintain the Water Supply Project intake wells. In November 2019, the City notified CEMEX that, based on this permanent easement and Cal Am's proposed use of the site for the intake wells, CEMEX has breached or will soon breach a prior 1996 annexation agreement (to which Cal Am was not a party). The City states that it intends to seek declaratory relief from CEMEX and Cal Am ordering that Cal Am's extraction is limited to 500 acre-feet per year of groundwater, that Cal Am cannot export extracted water out of the basin, and that the permanent easement granted by CEMEX to Cal Am is void. CEMEX has denied the City's claims and requested indemnification from Cal Am under the terms of the permanent easement. Cal Am and CEMEX believe that there is no valid limitation under the annexation agreement on Cal Am's right to pump brackish groundwater and seawater at the site for desalination and use by Cal Am's customers.

In May 2020, the City filed a lawsuit in Monterey County Superior Court, naming Cal Am and CEMEX as defendants, and MCWRA and MCWD as real parties in interest. The lawsuit, as amended, alleges a claim for breach of contract against CEMEX and seeks declaratory relief to void the permanent easement and prohibiting extraction of water by Cal Am's slant wells at the CEMEX site in excess of 500 acre-feet per year and the export of such water outside the groundwater basin. In November 2020, Cal Am, CEMEX and MCWRA filed demurrers, which were overruled by the court at a hearing held in February 2021.

In August 2020, MCWD filed a cross-complaint in the May 2020 lawsuit against Cal Am, CEMEX and MCWRA, alleging claims for specific performance of certain provisions of the 1996 annexation agreement related to the property owned by CEMEX on which intake wells for the Water Supply Project will be located, as well as claims of water rights, nuisance and unreasonable water use, and seeking additional declaratory relief. Following various rulings on demurrers filed by Cal Am, CEMEX and MCWRA, in February 2021, the court sustained, without leave to amend, the demurrer to MCWD's nuisance claim and overruled the remainder of the demurrers. In October 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion. The SWRCB held hearings in 2022 and 2023, on the referred issues before its Administrative Hearing Officer. The Monterey County Superior Court has set a trial date of July 15, 2024, for the City's lawsuit.

Challenges Related to Compliance with California's Sustainable Groundwater Management Act

Under California's Sustainable Groundwater Management Act ("SGMA") enacted in 2015, groundwater basins designated by the state as critically overdrafted must be managed by a GSA by 2020 in accordance with an approved groundwater sustainability plan ("GSP") designed to achieve sustainability by 2040. Under the SGMA, GSAs have broad powers to achieve sustainability including, but not limited to, regulating groundwater extraction by imposing fees on groundwater extractions and controlling groundwater extractions by regulating, limiting or suspending extractions from wells. The 400-acre CEMEX site overlies a small portion of the 180/400 Subbasin of the Salinas Valley Groundwater Basin; the 84,000-acre 180/400 Subbasin has been designated by the state as critically overdrafted, mainly due to seawater intrusion into the subbasin.

In late 2016, the Salinas Valley Basin Groundwater Sustainability Agency (the "SVBGSA") was formed as a joint powers authority to become the GSA for the Salinas Valley Groundwater Basin and prepare a GSP. In April 2018, the City filed a notice to become the GSA for the CEMEX site, creating an overlap with the SVBGSA's filing for the 180/400 Subbasin. In 2016, the SVBGSA commenced preparation of a GSP covering

the entire 180/400 subbasin, including the CEMEX site, but in August 2019 the City filed a notice that it intends to prepare its own GSP for the CEMEX site with the intent to severely limit or prohibit groundwater pumping at that site. The State Department of Water Resources ("SDWR") has taken the position that until the overlap is resolved, it will not accept the GSP from either agency, placing the subbasin at risk of being placed in a probationary status and subject to state management. In December 2019, the County of Monterey filed its own notice to become the exclusive GSA at the CEMEX site in order to resolve the overlap, which is permitted under SGMA. SDWR accepted Monterey County's filing in December 2019, and now lists Monterey County as the exclusive GSA for the site.

In December 2019, the City filed a lawsuit in Monterey County Superior Court challenging Monterey County's filing, and SDWR's acceptance of the filing, as the exclusive GSA for the CEMEX site. The City has named Monterey County and its Board of Supervisors, its GSA, and SDWR and its director as defendants, and the SVBGSA and its Board of Directors as real parties. The City seeks to invalidate Monterey County's filing, as well as injunctive relief to preserve the City's status as a GSA for the site. To protect its interest in the matter, Cal Am filed an application to intervene in this lawsuit, which was granted. Monterey County filed cross-claims against the City and SDWR. In September 2020, Cal Am filed a separate but related complaint in Monterey County Superior Court challenging the validity of actions taken by the City and its GSA in adopting a groundwater sustainability plan for the CEMEX site, and the validity of the provisions of such plan. Due to the overlap of issues in the City's lawsuit with those in the validation action, the parties stipulated to a stay of the validation action pending determination of the claims in the City's action, which was approved by the court in December 2020. In February 2021, the City filed a separate but related *in rem* reverse validation complaint challenging the adoption by Monterey County of a GSP for the CEMEX site. On May 3, 2023, the City filed a second reverse validation complaint, challenging the adoption of amendments to the GSP for the 180/400 subbasin.

After a hearing, in August 2021, the court denied the claims brought by the City and granted Monterey County's cross-claims, finding that the City's GSA notice was untimely, the Monterey County GSA was the exclusive GSA for the CEMEX site, and the SVBGSA's GSP was properly adopted for the entire 180/400 subbasin, including the CEMEX site. In November 2021, the City appealed this decision, and in December 2021, Monterey County appealed the court's decision as to the finding that the City's action creating a GSA was not void. The related validation and reverse validation actions remain stayed during the pendency of the appeal. On November 13, 2023, the California Court of Appeal affirmed the trial court's decision. On December 22, 2023, the City filed a petition for review with the California Supreme Court.

Proposed Acquisition of Monterey System Assets — Potential Condemnation

Local Agency Formation Commission Litigation

In November 2018, voters in Monterey, California passed "Measure J," which decided that the MPWMD should conduct a feasibility study concerning the potential purchase of Cal Am's Monterey system assets, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58

parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. In April 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. In June 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO. In December 2022, the court sustained in part, and denied in part, demurrers that had been filed by LAFCO seeking to dismiss the MPWMD's lawsuit.

On December 11, 2023, the Monterey County Superior Court issued a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey water system assets) and allowing the MPWMD to seek further LAFCO review of its application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. As a result, the LAFCO denial has been nullified and LAFCO will be required to hold another hearing on the MPWMD's application. On February 8, 2024, and February 9, 2024, each of Cal Am and LAFCO, respectively, filed a notice of appeal with the California Court of Appeals regarding the Monterey County Superior Court's decision to issue the writ of mandate. Cal Am is evaluating potential additional actions to contest the writ of mandate and to seek to uphold LAFCO's denial of the MPWMD's application, including filing other challenges and/or making suitable presentations at a subsequent LAFCO rehearing.

Potential Condemnation Actions by MPWMD

Separate from the proceedings related to the MPWMD's application with LAFCO, by letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requesting access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. On April 28, 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for $448.8 million. Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets.

On December 15, 2023, the MPWMD filed a lawsuit in Monterey County Superior Court seeking to condemn the Monterey system assets. While the Company cannot currently predict the outcome of this lawsuit, the Company believes that, given existing legal precedent related to similar attempts by public agencies in California to take over water systems and its other defenses, Cal Am should be able to defend itself successfully against the MPWMD's eminent domain lawsuit.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by West Virginia-American Water Company, the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored on July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. In July 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. In August 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 2022 order, which petition was denied on June 8, 2023. On August 21, 2023, the Circuit Court set a date of September 9, 2024, for a class trial on issues relating to duty and breach of that duty. The trial will not find class-wide or punitive damages.

The Company and WVAWC believe that WVAWC has meritorious defenses to the claims raised in this class action complaint and WVAWC will continue to vigorously defend itself against these allegations.

Chattanooga, Tennessee Class Action Litigation

On September 12, 2019, Tennessee-American Water Company, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and Service Company (collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre-and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law. On September 21, 2023, the court upheld its prior ruling but gave the Tennessee Plaintiffs the option to file an amended class definition. On October 12, 2023, the Tennessee Plaintiffs filed an amended class definition seeking certification of a business customer-only class. On

December 1, 2023, TAWC filed a memorandum in opposition to the amended class definition. On January 18, 2024, the court heard oral argument on the motions but issued no decision. The court instead requested additional briefing and a second oral argument, deadlines for which have not yet been set.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations.

Mountaineer Gas Company Main Break

During the afternoon of November 10, 2023, WVAWC was informed that an 8-inch ductile iron water main owned by WVAWC, located on the West Side of Charleston, West Virginia and originally installed in approximately 1989, experienced a leak. In the early morning hours of November 11, 2023, WVAWC crews successfully completed a repair to the water main. A precautionary boil water advisory was issued the same day to approximately 300 WVAWC customers and ultimately lifted on November 12, 2023.

On November 10, 2023, a break was reported in a low-pressure natural gas main located near the affected WVAWC water main break, and an inflow of water into the natural gas main and associated delivery pipelines occurred. The natural gas main and pipelines are owned by Mountaineer Gas Company, a regulated natural gas distribution company serving over 220,000 customers in West Virginia ("Mountaineer Gas"). The resulting inflow of water into the natural gas main and related pipelines resulted in a loss of natural gas service to approximately 1,100 Mountaineer Gas customers, as well as water entering customer service lines and certain natural gas appliances owned or used by some of the affected Mountaineer Gas customers. Mountaineer Gas reported that restoration of natural gas service to all affected gas mains occurred on November 24, 2023. The timing, order and causation of both the WVAWC water main break and Mountaineer Gas's main break are currently unknown and under investigation.

To date, a total of four pending lawsuits have been filed against Mountaineer Gas and WVAWC purportedly on behalf of customers in Charleston, West Virginia related to these incidents. On November 14, 2023, a complaint captioned *Ruffin et al. v. Mountaineer Gas Company and West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of Mountaineer Gas residential and business customers and other households and businesses supplied with natural gas in Kanawha County, which lost natural gas service on November 10, 2023, as a result of these events. The complaint alleges, among other things, breach of contract by Mountaineer Gas, trespass by WVAWC, nuisance by WVAWC, violation of statutory obligations by Mountaineer Gas and WVAWC, and negligence by Mountaineer Gas and WVAWC. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for loss of use of natural gas, annoyance, inconvenience and lost profits, as well as punitive damages.

On November 15, 2023, a complaint captioned *Toliver et al. v. West Virginia-American Water Company and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all natural persons or entities who are citizens of the State of West Virginia and who are customers of WVAWC and/or Mountaineer Gas in the affected areas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass and strict liability, as well as breach of contract against Mountaineer Gas. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property damage, loss of use and enjoyment of property, annoyance and inconvenience and business losses, as well as punitive damages.

On November 16, 2023, a complaint captioned *Dodson et al. v. West Virginia American Water and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all West Virginia citizens living between Pennsylvania Avenue south of Washington Street, and Iowa Street, who are customers of Mountaineer Gas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass, statutory code violations and unfair or deceptive business practices. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property loss and

damage, loss of use and enjoyment of property, mental and emotional distress, and aggravation and inconvenience, as well as punitive damages.

On January 4, 2024, a fourth complaint, captioned *Thomas v. West Virginia-American Water Company and Mountaineer Gas Company*, was filed in West Virginia Circuit Court in Kanawha County asserting similar allegations as those included in the *Ruffin*, *Toliver* and *Dodson* lawsuits (the "first three lawsuits"), with the addition of counts alleging unjust enrichment and violations of the West Virginia Human Rights Act and the West Virginia Consumer Credit and Protection Act.

On November 17, 2023, the *Ruffin* plaintiff filed a motion to consolidate the first three lawsuits before a single judge in Kanawha County Circuit Court. That motion remains pending.

On December 5, 2023, a complaint captioned *Mountaineer Gas Company v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County seeking damages under theories of trespass, negligence and implied indemnity. The damages being sought related to the incident include, among other things, repair and response costs incurred by Mountaineer Gas and attorneys' fees and expenses incurred by Mountaineer Gas. On December 14, 2023, Mountaineer Gas filed a motion with the Supreme Court of West Virginia to transfer this case to the West Virginia Business Court. On December 29, 2023, WVAWC filed a joinder in the motion to transfer the case. WVAWC has also filed a partial motion to dismiss this lawsuit. These motions remain pending.

On December 20, 2023, Mountaineer Gas filed answers to each of the first three lawsuits, which included cross-claims against WVAWC alleging that Mountaineer Gas is without fault for the claims and damages alleged in the lawsuits and WVAWC should be required to indemnify Mountaineer Gas for any damages and for attorneys' fees and expenses incurred by Mountaineer Gas in the lawsuits. WVAWC has filed a partial motion to dismiss certain claims in the *Ruffin, Toliver, Dodson* and *Thomas* lawsuits and a motion to dismiss the cross-claims asserted against WVAWC therein by Mountaineer Gas. On January 30, 2024, a motion was filed with the West Virginia Supreme Court on behalf of the *Toliver* plaintiff to refer the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On February 7, 2024, WVAWC filed a motion joining in that referral request. These motions remain pending.

On December 6, 2023, WVAWC initiated a process whereby Mountaineer Gas customers could file claims with WVAWC and seek payment from WVAWC of up to $2,000 per affected household for the inconvenience arising from a loss of use of their appliances and documented out-of-pocket expenses as a result of the natural gas outage. As of January 31, 2024, a total of 412 Mountaineer Gas customers completed this claims process and were paid by WVAWC an average of approximately $1,500 each. In return, these customers were required to execute a partial release of liability in favor of WVAWC.

On November 16, 2023, the Public Service Commission of West Virginia (the "WVPSC") issued an order initiating a general investigation into both the water main break and natural gas outages occurring in this incident to determine the cause or causes thereof, as well as breaks and outages generally throughout the systems of WVAWC and Mountaineer Gas and the utility practices of both utilities. Following a series of disagreements among the parties regarding the scope of discovery, the WVPSC closed the general investigation into both utilities and ordered a separate general investigation for each utility. The WVPSC focused the two general investigations away from the cause of the events and instead on the maintenance practices of each utility during and after the main breaks. On January 29, 2024, the Consumer Advocate Division of the WVPSC filed a motion to intervene in the WVAWC general investigation. WVAWC is cooperating with its general investigation. Both general investigations remain pending.

The Company and WVAWC believe that the causes of action and other claims asserted against WVAWC in the class action complaints and the lawsuit filed by Mountaineer Gas are without merit and that WVAWC has meritorious defenses to such claims, and WVAWC is defending itself vigorously in these litigation proceedings.

Given the current stage of these proceedings and the general investigation, the Company and WVAWC are currently unable to predict the outcome of any of the proceedings described above.

West Virginia Elk River Freedom Industries Chemical Spill

See Note 16—Commitments and Contingencies—Contingencies—West Virginia Elk River Freedom Industries Chemical Spill in the Notes to Consolidated Financial Statements for information regarding the final court approval of the global settlement with respect to the January 2014 Freedom Industries, Inc. chemical spill.

PFAS Multi-District Litigation

Several of the Company's utility subsidiaries are parties to a multi-district litigation (the "MDL") lawsuit, which commenced on December 7, 2018, in U.S. District Court for the District of South Carolina, against manufacturers of certain PFAS for damages, contribution and reimbursement of costs incurred and continuing to be incurred to address the presence of such PFAS in public water supply systems owned and operated by these utility subsidiaries and throughout their service areas. In August 2023, a potential class action settlement involving defendants The Chemours Company, Corteva, Inc. and DuPont de Nemours, Inc. to resolve claims brought in the MDL against them by public water systems, and a similar class action settlement with defendant 3M Company, received preliminary approval from the MDL court. The Company's utility subsidiaries have determined to remain parties to these class action settlements. On February 8, 2024, after a hearing on December 14, 2023, the MDL court issued its final approval of the DuPont settlement, and the Company will begin the process of perfecting its claims under this settlement within the time period to be provided by the MDL court. A fairness hearing on the 3M settlement was held on February 2, 2024. This matter remains pending.

Other Matters

In April 2021, American Water Resources, LLC ("AWR"), which, prior to the December 2021 sale of the Company's former Homeowner Services Group business ("HOS") was one of the indirect, wholly owned subsidiaries comprising that business, received a grand jury subpoena in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY"). The subpoena sought documents regarding AWR's operations and its contractor network in the New York City metropolitan area. In September 2022, a former employee of AWR pled guilty in U.S. District Court to two felony counts in connection with the matters under investigation by the EDNY. The Company fully cooperated with the EDNY investigation. There are currently no pending requests from the EDNY for additional information and the Company has not been contacted by the EDNY about the investigation since July 2023. While the EDNY has not formally communicated that its investigation is complete, the Company does not believe that the investigation will have a material adverse effect on the Company's results of operations, financial condition or liquidity.

General

Periodically, the Company is involved in other proceedings or litigation arising in the ordinary course of business. Other than those proceedings described in this Item 3—Legal Proceedings, the Company does not believe that the ultimate resolution of these matters will materially affect its financial position or results of operations. However, litigation and other proceedings are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is possible that some litigation and other proceedings could be decided unfavorably to the Company, and that any such unfavorable decisions could have a material adverse effect on its business, financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since April 23, 2008, the Company's common stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AWK." As of February 6, 2024, there were 194,755,320 shares of common stock outstanding held by approximately 2,101 record holders. Holders of the Company's common stock are entitled to receive dividends when they are declared by its Board of Directors. See Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information regarding the Company's dividends.

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2023, the Company repurchased an aggregate of 4,860,000 shares of its common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program. There were no repurchases of common stock in 2023.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements," Item 1A—Risk Factors and elsewhere in this Form 10-K. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings. For a discussion and analysis of the Company's financial statements for fiscal 2022 compared to fiscal 2021, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 15, 2023.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company

employs approximately 6,500 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company's utilities operate in approximately 1,700 communities in 14 states in the United States, with 3.5 million active customers with services provided by its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by PUCs. The Company also operates other businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-K within "Other." See Item 1—Business for additional information.

Selected Financial Data

This selected financial data below should be read in conjunction with the Company's Consolidated Financial Statements and related Notes in this Annual Report on Form 10-K as well as the remainder of this Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.

	For the Years Ended December 31,				
(In millions, except per share data)	**2023**	**2022**	**2021**	**2020**	**2019**
Statement of Operations data:					
Operating revenues	$ 4,234	$ 3,792	$ 3,930	$ 3,777	$ 3,610
Net income attributable to common shareholders	944	820	1,263	709	621
Net income attributable to common shareholders per basic common share	4.90	4.51	6.96	3.91	3.44
Net income attributable to common shareholders per diluted common share	4.90	4.51	6.95	3.91	3.43
Balance Sheet data:					
Total assets	$30,298	$27,787	$26,075	$24,766	$22,682
Long-term debt and redeemable preferred stock at redemption value	11,718	10,929	10,344	9,333	8,644
Other data:					
Cash dividends declared per common share	$ 2.83	$ 2.62	$ 2.41	$ 2.20	$ 2.00
Net cash provided by operating activities	1,874	1,108	1,441	1,426	1,383
Net cash used in investing activities	(2,815)	(2,127)	(1,536)	(2,061)	(1,945)
Net cash provided by (used in) financing activities	1,188	1,000	(345)	1,120	494
Capital expenditures included in net cash used in investing activities	(2,575)	(2,297)	(1,764)	(1,822)	(1,654)

Financial Results

For the years ended December 31, 2023, 2022 and 2021, diluted earnings per share (GAAP) were $4.90, $4.51 and $6.95, respectively. In 2023, as compared to 2022, diluted earnings per share increased $0.39. The increase was primarily driven by the implementation of new rates in the Regulated Businesses for the return on and recovery of capital and acquisition investments, offset somewhat by increased operating costs, primarily production costs from inflationary pressures, and higher pension costs. Results for 2023 reflect the net favorable impact of warmer, drier weather compared to normal, estimated at $0.13 per share, while results for 2022 reflect the net favorable impact of weather compared to normal, estimated at $0.06 per share. Results for 2023 also reflect the impact of share dilution from the equity financing of $0.29 per share, roughly equivalent to avoided interest expense on the year.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the substantial majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. In 2023, the Company invested $2.7 billion, in the Regulated Businesses, as discussed below:

Regulated Businesses Growth and Optimization

- $2.6 billion capital investment in the Regulated Businesses, the substantial majority for infrastructure improvements and replacements; and
- $81 million to fund acquisitions, including deposits for pending acquisitions, in the Regulated Businesses, which added approximately 18,100 customers during 2023, in addition to approximately 18,800 customers added through organic growth during 2023. This includes the Company's New Jersey subsidiary's acquisition of the water and wastewater assets of Egg Harbor City on June 1, 2023, for a cash purchase price of $22 million, $2 million of which was funded as a deposit to the seller in March 2021 in connection with the execution of the acquisition agreement.

On April 6, 2023, the Company's Illinois subsidiary entered into an agreement to acquire the wastewater treatment plant from Granite City for an amended purchase price of $86 million. This plant provides wastewater service for approximately 26,000 customer connections. The Company expects to close this acquisition in the first quarter of 2024.

Effective March 24, 2023, the Company's Pennsylvania subsidiary acquired the rights to buy the wastewater system assets of the Township of Towamencin, for an aggregate purchase price of $104 million, subject to adjustment as provided in the asset purchase agreement. This system provides wastewater services to approximately 6,300 customer connections in seven townships in Montgomery County, Pennsylvania. The Company expects to close this acquisition in late 2024 or early 2025, pending final regulatory approval.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the public wastewater collection and treatment system assets (the "System Assets") from the Butler Area Sewer Authority. On November 9, 2023, the Pennsylvania Public Utility Commission (the "PaPUC") approved a settlement agreement without modification with respect to the Company's Pennsylvania subsidiary's application to acquire the System Assets from the Butler Area Sewer Authority for a purchase price of $230 million, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 15,000 customer connections. On December 14, 2023, Center Township and Summit Township filed appeals with the Pennsylvania Commonwealth Court seeking to reverse the order entered by the PaPUC approving the sale of the System Assets. On December 29, 2023, the Company's Pennsylvania subsidiary filed applications with the Commonwealth Court seeking to dismiss the appeals and requesting expedited consideration. By order dated February 1, 2024, the Commonwealth Court deferred deciding the application to dismiss the appeals and directed that the issues raised by the applications to dismiss are to be considered as part of the merits of the appeals. The order also granted expedited consideration and directed the case to be included on the next available list and established a briefing schedule. Based on the court's schedule, the Company estimates that the disposition of the appeals could occur as soon as the second quarter of 2024.

As of December 31, 2023, the Company had entered into 25 agreements with a total aggregate purchase price of $589 million for pending acquisitions in the Regulated Businesses, including the agreements discussed above, to add approximately 88,300 additional customers.

The Company expects to invest between $16 billion to $17 billion over the next five years, and between $34 billion to $38 billion over the next 10 years, including $3.1 billion in 2024. The Company's expected future investments include:

- capital investment for infrastructure improvements in the Regulated Businesses between $14.5 billion to $15 billion over the next five years, and between $30 billion to $33 billion over the next 10 years; and
- growth from acquisitions in the Regulated Businesses to expand the Company's water and wastewater customer base of between $1.5 billion to $2 billion over the next five years, and between $4 billion to $5 billion over the next 10 years.

The Company estimates the expected capital investment for infrastructure improvements in its Regulated Businesses over the next ten years will be allocated to the following purposes: infrastructure renewal 68-70%, resiliency 9-11%, water quality, including capital expenditures for the EPA proposed regulations on PFAS 6-8%, operational efficiency, technology and innovation 5-7%, system expansion 4-6%, other 3-5%.

Other Matters

Environmental, Health and Safety, and Water Quality Regulation

On March 14, 2023, the EPA announced the proposed National Primary Drinking Water Regulations ("NPDWR") for six PFAS including perfluorooctanoic acid ("PFOA"), perfluorooctane sulfonic acid ("PFOS"), perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid ("HFPO-DA", commonly known as "GenX Chemicals"), perfluorohexane sulfonic acid ("PFHxS"), and perfluorobutane sulfonic acid ("PFBS"). The proposed regulations would establish legally enforceable levels for PFAS in drinking water. The EPA anticipates issuing a final rule in 2024 and utilities will be provided a three-year window to comply with the new regulations once finalized, although the Safe Drinking Water Act allows utilities to request an additional two years if capital improvements are required.

The Company performed an initial review of the NPDWR to assess the four parts per trillion requirements for PFAS and the application of the Hazard Index approach for PFNA, PFBS, PFHxS, and GenX Chemicals. On May 24, 2023, the Company submitted comments to the EPA outlining its position on key issues to address the proposed regulations, including its projected costs associated with PFAS treatment at the proposed limits and the potential impact to customers' bills. The Company estimates an investment of approximately $1 billion of capital expenditures to install additional treatment facilities over a three to five-year period in order to comply with the proposed regulations. Additionally, the Company estimates annual operating expenses up to approximately $50 million related to testing and treatment in today's dollars. These are preliminary estimates based on the proposed rule. The actual expenses may differ from these preliminary estimates and will be dependent upon multiple factors, including the final rule and effective date, as well as the completion of a system-by-system engineering analysis.

The Company supports sound policies and compliance with the NPDWR by all water utilities, while protecting customers and communities from the costly burden of monitoring and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable and is participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. For more information on the PFAS multi-district litigation, see Item 3—Legal Proceedings—PFAS Multi-District Litigation.

Operational Excellence

The Company's adjusted regulated O&M efficiency ratio was 32.8% for the year ended December 31, 2023, compared to 33.7% for the year ended December 31, 2022. The ratio reflects an increase in operating revenues

for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below, as well as the continued focus on operating costs.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Annual Report on Form 10-K.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

	For the Years Ended December 31,		
(Dollars in millions)	**2023**	**2022**	**2021**
Total operation and maintenance expenses	$ 1,720	$ 1,589	$ 1,777
Less:			
Operation and maintenance expenses—Other	279	244	452
Total operation and maintenance expenses—Regulated Businesses	1,441	1,345	1,325
Less:			
Regulated purchased water expenses	161	154	153
Allocation of non-operation and maintenance expenses	25	31	34
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,255	$ 1,160	$ 1,138
Total operating revenues	$ 4,234	$ 3,792	$ 3,930
Less:			
Operating revenues—Other	314	287	546
Total operating revenues—Regulated Businesses	3,920	3,505	3,384
Less:			
Regulated purchased water revenues (a)	161	154	153
Revenue reductions from the amortization of EADIT	(66)	(89)	(104)
Adjusted operating revenues—Regulated Businesses (ii)	$ 3,825	$ 3,440	$ 3,335
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	32.8%	33.7%	34.1%

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Missouri	May 28, 2023	$ 44
Virginia	April 24, 2023 (a)	11
Pennsylvania	January 28, 2023	138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 273

(a) Interim rates were effective May 1, 2022, and the difference between interim and final approved rates were subject to refund. The Virginia State Corporation Commission issued its final Order on April 24, 2023.

On June 29, 2023, the California Public Utilities Commission ("CPUC") issued a decision on the cost of capital application for the Company's California subsidiary, which authorized a return on equity of 8.98% and a capital structure with an equity component of 57.04% for the three-year period from 2022 to 2024. The CPUC's decision was effective from the date of the order through the end of 2024. The decision included a Water Cost of Capital Mechanism (the "WCCM") that allows the California subsidiary to increase its return on equity for the remainder of 2023 and 2024 based on capital market rates. As authorized by the WCCM, the California subsidiary filed with the CPUC staff advice letters to increase the return on equity. On July 25, 2023, the CPUC staff approved a return on equity of 9.50%, effective July 31, 2023. On November 15, 2023, the CPUC staff approved a return on equity of 10.20%, effective January 1, 2024.

On May 3, 2023, the Missouri Public Service Commission issued an order approving the March 3, 2023, joint settlement agreement in the general rate case filed on July 1, 2022, by the Company's Missouri subsidiary. The general rate case order approved a $44 million annualized increase in water and wastewater revenues, excluding $51 million in previously approved infrastructure surcharges, and authorized implementation of the new water and wastewater rates effective May 28, 2023. The annualized revenue increase was driven primarily by significant incremental capital investments since the Missouri subsidiary's 2021 rate case order. The Missouri subsidiary's view of its rate base was $2.3 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) was 9.75% and 50.0%, respectively.

On April 24, 2023, the Virginia State Corporation Commission issued an order approving the settlement of the rate case filed on September 26, 2022, by the Company's Virginia subsidiary. The general rate case order approved an $11 million annualized increase in water and wastewater revenues. Interim rates in this proceeding were effective on May 1, 2022, and the order required that the difference between interim and the final approved rates were subject to refund within 90 days of the order issuance. The order approves the settlement terms with a return on equity of 9.7% and a common equity ratio of 40.7%. The annualized revenue increase was driven primarily by significant incremental capital investments since the Virginia subsidiary's 2020 rate case order that have been completed or were planned through April 30, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order includes recovery of the Virginia subsidiary's COVID-19 deferral balance. It also includes approval of the accounting deferral of deviations in pension and other postretirement benefits expense from those established in base rates, until the Virginia subsidiary's next base rate case.

On December 8, 2022, the PaPUC issued an order approving the joint settlement agreement in the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a

$138 million annualized increase in water and wastewater revenues, excluding $24 million for previously approved infrastructure filings, and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The annualized revenue increase was driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that were completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Pennsylvania subsidiary's COVID-19 deferral balance. The Pennsylvania subsidiary's view of its rate base was $5.1 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) was 10.0% and 44.8%, respectively.

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues, excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $18 million, effective January 1, 2023, based on an authorized return on equity of 9.78%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase was driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or were planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On January 25, 2024, the Company's Illinois subsidiary filed tariffs for new water and wastewater rates. The request seeks a two-step rate increase consisting of aggregate annualized incremental revenue, based on a proposed return on equity of 10.75%, of (i) approximately $136 million effective January 1, 2025, based on a future test year through December 31, 2025 with average rate base and a capital structure with an equity component of 52.27% and a debt component of 47.73%, and (ii) approximately $16 million effective January 1, 2026, based on a future test year to include end of period rate base and a capital structure with an equity component of 54.43% and a debt component of 45.57%. The requested increases are driven primarily by an estimated $557 million in capital investments to be made by the Illinois subsidiary starting January 2024 through December 2025. The request also proposes a treatment and compliance rider to address recovery of future environmental compliance investments, and a modification to the existing volume balancing account mechanism to include full production cost recovery.

On January 19, 2024, the Company's New Jersey subsidiary filed a general rate case requesting approximately $162 million in additional annualized revenues, which is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 56.30% and a debt component of 43.70%. The requested annualized revenue increase is driven primarily by approximately $1.3 billion in capital investments made and to be made by the New Jersey subsidiary through December 2024. The request also proposes a revenue decoupling mechanism and seeks a deferral of certain production cost adjustments.

On December 15, 2023, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2025. On February 2, 2024, the CPUC granted the request for a one year extension of the cost of capital filing to May 1, 2025, to set its authorized cost of capital beginning January 1, 2026.

On November 8, 2023, the Company's Pennsylvania subsidiary filed a general rate case requesting approximately $204 million in additional annualized revenues, excluding projected infrastructure surcharges of $20 million. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 55.30% and a debt component of 44.70%. The requested annualized incremental revenue increase

is driven primarily by an estimated $1.0 billion of incremental capital investments to be made through mid-2025. The request also proposes a mechanism to address compliance with evolving environmental requirements, such as emerging federal regulations for lead and PFAS. If approved, the new rates would be expected to take effect on August 7, 2024.

On November 1, 2023, the Company's Virginia subsidiary filed a general rate case requesting $20 million in additional annualized revenues. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 45.67% and a debt and other component of 54.33%. The requested increase is driven by approximately $110 million in capital investments between May 2023 and April 2025. The request also proposed a revenue decoupling mechanism and seeks deferral of certain production cost adjustments. Interim rates will be effective May 1, 2024, with the difference between interim and final approved rates subject to refund.

On June 30, 2023, the Company's Kentucky subsidiary filed a general rate case requesting $26 million in additional annualized revenues, excluding infrastructure surcharges of $10 million. The request is based on a proposed return on common equity of 10.75% and a proposed capital structure with a common equity component of 52.45%. An order is expected in the general rate case by the end of the first quarter of 2024.

On May 1, 2023, the Company's West Virginia subsidiary filed a general rate case requesting $45 million in additional annualized revenues, excluding previously approved infrastructure surcharges of $7 million. The request is based on a proposed return on equity of 10.50% and a capital structure with an equity component of 52.80%. The general rate case includes a future test year capturing planned investment through 2025 and an order is expected to be issued by February 25, 2024. On June 30, 2023, the West Virginia subsidiary filed its annual infrastructure surcharge requesting $8 million in additional annualized revenues for planned investment through 2024. The infrastructure surcharge will be aligned with the investments recognized in the general rate case if the future test year is approved.

On March 31, 2023, the Company's Indiana subsidiary filed a general rate case requesting $87 million in additional annualized revenues, excluding $41 million of revenue from infrastructure filings already approved, which includes three step increases, with $43 million of the increase to be included in rates in January 2024, $18 million in May 2024, and $26 million in May 2025. The requested adjustment is based on a proposed return on equity of 10.60% and a capital structure with an equity component of 56.20%. Hearings were completed in September and an order is expected in the general rate case by the end of February 2024.

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, all as compared to 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised filing requested additional annualized revenues for the test year 2024 of $37 million, compared to 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million. On November 17, 2023, the California subsidiary filed with the CPUC a partial settlement agreement reached with the CPUC's Public Advocates Office, which would determine the amount of incremental annualized water and wastewater revenue to be received by the California subsidiary to be $20 million in the 2024 test year, $16 million in the 2025 escalation year, and $15 million in the 2026 attrition year. The partial settlement agreement addresses the California subsidiary's revenue requirement request but does not address rate design or certain other matters, such as the requested inclusion and implementation of a revenue stability mechanism to separate the California subsidiary's revenue and water sales. New rates would be implemented retroactively to January 1, 2024, upon a final decision issued by the CPUC approving the partial settlement agreement and resolving the other issues not addressed by the partial settlement agreement, which is expected to occur in mid-2024.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	(a)	$ 32
Kentucky	October 1, 2023	4
Indiana	(b)	26
Missouri	January 16, 2023	14
Pennsylvania	January 1, 2023	3
West Virginia	January 1, 2023	7
Total infrastructure surcharge authorizations		$ 86

(a) In 2023, $15 million was effective October 30, $1 million was effective June 29 and $16 million was effective April 29.
(b) In 2023, $20 million was effective March 23 and $6 million was effective March 8.

Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2024:

(In millions)	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	January 20, 2024	$ 26
Illinois	January 1, 2024	5
Total infrastructure surcharge filings		$ 31

Pending Infrastructure Surcharge Filings

On January 31, 2024, the Company's Iowa subsidiary filed an infrastructure surcharge proceeding requesting $1 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would have become effective upon receiving an order in the current pending rate case. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which, if adopted, will become effective upon receiving an order in the current pending rate case.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities ("NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the decision remains pending. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Operating revenues	$ 4,234	$ 3,792	$ 3,930
Operating expenses:			
Operation and maintenance	1,720	1,589	1,777
Depreciation and amortization	704	649	636
General taxes	307	281	321
Other	(1)	—	—
Total operating expenses, net	2,730	2,519	2,734
Operating income	1,504	1,273	1,196
Other income (expense):			
Interest expense	(460)	(433)	(403)
Interest Income	73	52	4
Non-operating benefit costs, net	32	77	78
Gain on sale of businesses	—	19	747
Other, net	47	20	18
Total other income (expense)	(308)	(265)	444
Income before income taxes	1,196	1,008	1,640
Provision for income taxes	252	188	377
Net income attributable to common shareholders	$ 944	$ 820	$ 1,263

Segment Results of Operations

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. Other primarily includes MSG, which does not meet the criteria of a reportable segment in accordance with GAAP. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. This presentation is consistent with how management assesses the results of these businesses. For a discussion and analysis of the Company's financial statements for fiscal 2022 compared to

fiscal 2021, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 15, 2023.

Sale of Homeowner Services Group

On December 9, 2021, the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary (the "Buyer") of funds advised by Apax Partners LLP, a global private equity advisory firm, for total consideration of approximately $1.275 billion, resulting in pre-tax gain of $748 million. The consideration at closing was comprised of $480 million in cash, a secured seller promissory note payable in cash and issued by the Buyer in the principal amount of $720 million, with an interest rate of 7.00% per year, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. For the year ended December 31, 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of $20 million, which is included in Gain on sale of businesses on the Consolidated Statements of Operations. The Company recognized $50 million of interest income during the years ended December 31, 2023 and 2022, from the secured seller note.

On February 2, 2024, the secured seller note was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of the $75 million contingent cash payment payable under the HOS sale agreement. In addition, the interest rate payable on the secured seller note has increased from 7.00% per year to 10.00% per year until maturity. The secured seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants. Certain of these covenants have been amended, including to provide for annual reductions of specified debt incurrence ratios. Furthermore, the amendment to the secured seller note eliminated the conditional right, beginning December 9, 2024, to require a repayment, without premium or penalty, of 100% of the outstanding principal amount in full in cash together with all accrued and unpaid interest and other obligations thereunder. The final maturity date of the secured seller note remains December 9, 2026. The $75 million additional principal under the secured seller note must be repaid in full, without premium or penalty, in the event a proposed acquisition of a complementary business by or on behalf of an affiliate of the Buyer is not completed by May 2, 2024. The repayment obligations of the Buyer under the seller note are secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as Other. Segment results for the year ended December 31, 2021, have been adjusted retrospectively to reflect this change.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Operating revenues	$ 3,920	$ 3,505	$ 3,384
Operation and maintenance	1,441	1,345	1,325
Depreciation and amortization	693	633	601
General taxes	288	264	301
Other operating (income) expense	(1)	—	1
Other income (expense)	(269)	(220)	(195)
Provision for income taxes	259	188	172
Net income attributable to common shareholders	$ 971	$ 854	$ 789

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Water services:			
Residential	$ 2,143	$ 1,941	$ 1,935
Commercial	798	710	676
Fire service	158	147	151
Industrial	167	153	141
Public and other	284	267	239
Total water services	3,550	3,218	3,142
Wastewater services:			
Residential	228	174	151
Commercial	62	45	37
Industrial	8	4	4
Public and other	29	19	16
Total wastewater services	327	242	208
Other (a)	43	45	34
Total operating revenues	$ 3,920	$ 3,505	$ 3,384

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Years Ended December 31,		
	2023	2022	2021
(Gallons in millions)			
Billed water services volumes:			
Residential	160,921	162,105	173,644
Commercial	78,404	77,627	77,476
Industrial	36,404	37,265	35,738
Fire service, public and other	54,236	51,966	51,957
Total billed water services volumes	329,965	328,963	338,815

In 2023, as compared to 2022, operating revenues increased $415 million, primarily due to: (i) a $350 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) a $32 million increase from water and wastewater acquisitions and organic growth in existing systems; (iii) a $19 million estimated net increase primarily due to drier than normal weather in 2023, mainly driven by drought conditions in our Missouri service territory; (iv) a $23 million net increase as a result of reduced amortization of EADIT, primarily in the Company's Pennsylvania subsidiary; and (v) partially offset by a $12 million decrease due to changes in customer demand.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Employee-related costs	$ 513	$ 505	$ 522
Production costs	438	387	353
Operating supplies and services	255	242	245
Maintenance materials and supplies	102	96	93
Customer billing and accounting	65	59	66
Other	68	56	46
Total operation and maintenance expense	$ 1,441	$ 1,345	$ 1,325

Employee-Related Costs

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Salaries and wages	$ 413	$ 395	$ 402
Group insurance	60	59	66
Pensions	9	21	25
Other benefits	31	30	29
Total employee-related costs	$ 513	$ 505	$ 522

In 2023, as compared to 2022, employee-related costs increased $8 million primarily due to annual merit increases and higher employee headcount to support growth of the business, which was partially offset by lower pension service costs, mainly attributable to an increase in the discount rate assumption.

Production Costs

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Purchased water	$ 161	$ 154	$ 153
Fuel and power	108	104	97
Chemicals	105	78	59
Waste disposal	64	51	44
Total production costs	$ 438	$ 387	$ 353

In 2023, as compared to 2022, production costs increased $51 million, primarily due to inflationary impacts from increased fuel, power and chemical costs, as well as an increase in waste disposal maintenance.

Operating Supplies and Services

In 2023, as compared to 2022, operating supplies and services increased $13 million primarily due to an increase in maintenance costs on equipment and buildings.

Other

In 2023, as compared to 2022, other increased $12 million primarily due to an increase to the insurance other than group reserve which had an unfavorable claims experience compared to prior year, as well as higher insurance premiums.

Depreciation and Amortization

In 2023, as compared to 2022, depreciation and amortization increased $60 million primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

In 2023, as compared to 2022, general taxes increased $24 million, primarily due to an increase in the New Jersey Gross Receipts Tax and incremental property taxes.

Other Income (Expense)

In 2023, as compared to 2022, other expenses increased $49 million primarily due to higher net periodic pension and other postretirement benefit costs in the current period as a result of market conditions, as well as higher interest expense from the issuance of incremental long-term debt. These increases were partially offset by an increase in allowance for funds used during construction in the current periods.

Provision for Income Taxes

In 2023, as compared to 2022, the Regulated Businesses' provision for income taxes increased $71 million. The Regulated Businesses' effective income tax rate was 21.1% and 18.0% for the years ended December 31, 2023 and 2022, respectively. The increase was primarily due to the decrease in the amortization of EADIT, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Other

Presented in the table below is information for Other:

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Operating revenues	$ 314	$ 287	$ 546
Operation and maintenance	279	244	452
Depreciation and amortization	11	16	35
General taxes	19	17	20
Interest expense	(96)	(119)	(113)
Interest income	45	50	3
Gain on sale of businesses	—	19	748
Other income	12	6	2
(Benefit from) provision for income taxes	(7)	—	205
Net (loss) income attributable to common shareholders	$ (27)	$ (34)	$ 474

Operating Revenues

In 2023, as compared to 2022, operating revenues increased $27 million from an increase in capital projects in MSG, primarily at the United States Military Academy at West Point, New York and revenue for Naval Station Mayport. The Naval Station Mayport contract was awarded on June 30, 2022, with the performance start date for operation on March 1, 2023.

Operation and Maintenance

Presented in the table below is information regarding the main components of Other's operating and maintenance expense:

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Operating supplies and services	$ 150	$ 120	$ 191
Maintenance materials and supplies	29	35	123
Employee-related costs	85	73	109
Production costs	9	10	7
Other	6	6	22
Total operation and maintenance expense	$ 279	$ 244	$ 452

Operating Supplies and Services

In 2023, as compared to 2022, operating supplies and services increased $30 million primarily due to costs associated with the increased capital projects in MSG.

Employee-Related Costs

In 2023, as compared to 2022, employee-related costs increased $12 million primarily due to salaries and wages and group insurance.

Gain on Sale of Businesses

In 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of $20 million, which increased the total gain related to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Tax Matters

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to net income when determining AFSI. During 2023, the Company evaluated the potential impacts of the CAMT provision within the IRA and available guidance and determined that it did not exceed the $1 billion AFSI threshold and therefore was not subject to CAMT in 2023. Based on current guidance, the Company is expected to be subject to CAMT beginning in 2024, and will continue to evaluate the impacts as additional guidance is released.

Legislative Updates

During 2023 and 2024, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of February 14, 2024:

- California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and was effective on January 1, 2023.
- Indiana passed House Bill 1417, which allows for deferred accounting and subsequent recovery through rates of regulatory assets, with or without Indiana Utility Regulatory Commission (the "IURC") approval. There are several requirements: (i) the costs must be deferred as a regulatory asset, (ii) only incremental costs may be deferred, and (iii) the IURC must find the costs to be reasonable and prudent. Legislation was signed by the Governor and became effective on April 20, 2023.
- Indiana passed Senate Bill 180, which allows for consolidated revenue to support post-acquisition capital improvements in wastewater systems via a service enhancement improvement recovery mechanism. Legislation was signed by the Governor and became effective on May 1, 2023.
- Illinois passed House Bill 1105, which provides that property belonging to a public utility that provides water or sewer service may not be taken or damaged by eminent domain without prior approval from the Illinois Commerce Commission. Legislation was signed by the Governor and became effective on June 9, 2023.
- Illinois passed Senate Bill 250 (Public Act 103-0006), which contains supplemental appropriations for the previous fiscal year 2023 and appropriations for fiscal year 2024. This bill contains a $5 million appropriation to the Department of Commerce and Economic Opportunity for purposes of grants pursuant to the Water and Sewer Financial Assistance Act (Public Act 102-262), which was an initiative of the Company's Illinois subsidiary during the 102nd General Assembly. Legislation was signed by the Governor on June 7, 2023, and the appropriation became effective July 1, 2023.
- California passed Senate Bill 122, which authorizes $300 million in additional funding for the California Water and Wastewater Arrearage Payment Program, and extends the eligibility date from March 2020 to June 2021, to March 2020 to December 2022. Legislation was signed and became effective on July 10, 2023.
- California passed Senate Bill 253, which requires any public or private company that does business in California and has over $1 billion in annual revenue to publicly disclose, beginning in 2026, scope 1, 2, and 3 greenhouse gas emissions released from their operations and supply chain.
- California passed Senate Bill 261, which requires companies doing business in California with greater than $500 million in annual revenues to prepare, beginning in 2026, biennial reports disclosing climate-related financial risk.
- New Jersey passed Assembly Bill 4791, establishing the "Resiliency and Environmental System Investment Charge Program," which creates a regulatory mechanism that enables water and wastewater utilities to recover the costs of investment in certain non-revenue producing utility system components that enhance water and wastewater system resiliency, environmental compliance such as existing and proposed requirements for PFAS, safety, and public health. Legislation was signed by the Governor and became effective on January 12, 2024.

Liquidity and Capital Resources

The Company uses its capital resources, including cash, primarily to (i) fund operating and capital requirements, (ii) pay interest and meet debt maturities, (iii) pay dividends, (iv) fund acquisitions, (v) fund pension and postretirement benefit obligations, and (vi) to pay federal income taxes. The Company invests a significant amount of cash on regulated capital projects where it expects to earn a long-term return on

investment. Additionally, the Company operates in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—Regulation and Rate Making for additional information. The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity issuances, in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of payments under a secured seller promissory note, plus interest. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company regularly evaluates and monitors its cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. The Company's business is capital intensive, with a majority of this capital funded by cash flows from operations. The Company also obtains funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings, and may also access the equity capital markets as needed or desired to support capital funding requirements. In order to meet short-term liquidity needs, American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of parent company, issues commercial paper that is supported by its revolving credit facility. The Company's access to external financing on reasonable terms may depend on, as appropriate, any or all of the following: current business conditions, including that of the utility and water utility industry in general; conditions in the debt or equity capital markets; the Company's credit ratings; and conditions in the national and international economic and geopolitical arenas. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit the Company's ability to issue debt and equity securities in the capital markets.

If these unfavorable business, market, financial and other conditions deteriorate to the extent that the Company is no longer able to access the commercial paper and/or capital markets on reasonable terms, AWCC has access to an unsecured revolving credit facility. The Company's revolving credit facility provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. AWCC's revolving credit facility is used principally to support its commercial paper program, to provide additional liquidity support, and to provide a sub-limit for the issuance of up to $150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is $2.60 billion. On October 26, 2023, the termination date of the credit agreement with respect to AWCC's revolving credit facility was extended, as permitted by the terms of the credit agreement, from October 2027 to October 2028. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods, as to which one such extension request remains. As of December 31, 2023, AWCC had no outstanding borrowings and $75 million of outstanding letters of credit under its revolving credit facility, with $2.50 billion available to fulfill its short-term liquidity needs and to issue letters of credit.

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. The Company's future cash flows from operating activities will be affected by, among other things: customers' ability to pay for service in a timely manner, economic utility regulation, inflation, compliance with environmental, health and safety standards, production costs, maintenance costs, customer growth, declining customer usage of water, employee-related costs, including pension funding, weather and seasonality, taxes, and overall economic conditions. The Company's current liabilities may exceed current assets mainly from debt maturities due within one year and the use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, fund acquisitions and construction projects, as well as cash needs, which can fluctuate significantly due to the seasonality of the business and other factors. The Company addresses cash timing differences primarily through its short-term liquidity funding mechanisms.

Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

	For the Years Ended December 31,		
(In millions)	**2023**	**2022**	**2021**
Net income	$ 944	$ 820	$ 1,263
Add (less):			
Depreciation and amortization	704	649	636
Deferred income taxes and amortization of investment tax credits	208	80	230
Other non-cash activities (a)	(9)	(16)	(27)
Changes in working capital (b)	76	(355)	126
Pension and non-pension postretirement benefit contributions	(49)	(51)	(40)
Gain on sale of businesses	—	(19)	(747)
Net cash provided by operating activities	$ 1,874	$ 1,108	$ 1,441

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, income tax receivable, accounts payable and accrued liabilities, accrued taxes and other current assets and liabilities, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

In 2023, cash flows provided by operating activities increased $766 million, primarily due to changes in deferred taxes, working capital and an increase in net income. The change in deferred taxes was driven by the settlement of the deferred tax liability in 2022 related to the Company's New York regulated operations that was sold in the first quarter of 2022. The changes in working capital were primarily driven by $280 million of estimated tax payments for taxable gains on the sales of the Company's Homeowner Services Group and its New York regulated operations in the first half of 2022.

The Company expects to make pension contributions to the plan trusts of $44 million in 2024. Actual amounts contributed could change materially from this estimate as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

(In millions)	For the Years Ended December 31, 2023	2022	2021
Capital expenditures	$ (2,575)	$ (2,297)	$ (1,764)
Acquisitions, net of cash acquired	(81)	(315)	(135)
Proceeds from sale of assets, net of cash on hand	—	608	472
Removal costs from property, plant and equipment retirements, net	(159)	(123)	(109)
Net cash used in investing activities	$ (2,815)	$ (2,127)	$ (1,536)

In 2023, cash flows used in investing activities increased $688 million as a result of increased payments for capital expenditures, as well as no assets sales in 2023 whereas 2022 had $608 million of proceeds from the sale of the Company's New York operations. The Company continues to invest across all infrastructure categories, mainly replacement and renewal of transmission and distribution and services, meter and fire hydrants infrastructure in the Company's Regulated Businesses, as discussed below.

The Company's infrastructure investment plan consists of both infrastructure renewal programs, where the Company replaces mains, services, meters, hydrants and valves, as needed, and major capital investment projects, where the Company constructs new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. The Company's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Presented in the table below is a summary of the Company's capital expenditures by category:

(In millions)	For the Years Ended December 31, 2023	2022	2021
Transmission and distribution	$ 922	$ 901	$ 749
Treatment and pumping	322	190	197
Services, meter and fire hydrants	652	546	366
General structure and equipment	333	380	251
Sources of supply	88	95	64
Wastewater	258	185	137
Total capital expenditures	$ 2,575	$ 2,297	$ 1,764

In 2023, the Company's capital expenditures increased $278 million due to an increase across most infrastructure categories.

The Company also grows its business primarily through acquisitions of water and wastewater systems. These acquisitions are generally located in geographic proximity to the Company's existing Regulated Businesses and support continued geographical diversification and growth of its operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with long-term financing. During 2023, the Company paid $81 million to fund acquisitions, including deposits for pending acquisitions. The Company closed on 23 acquisitions of various regulated water and wastewater systems during 2023, which added approximately 18,100 water and wastewater customers.

As previously noted, over the next five years the Company expects to invest between $16 billion to $17 billion, with $14.5 billion to $15 billion for infrastructure improvements in the Regulated Businesses, and the Company expects to invest between $34 billion to $38 billion over the next 10 years. In 2024, the Company expects to invest $3.1 billion, consisting of infrastructure improvements and acquisitions in the Regulated Businesses.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

(In millions)	For the Years Ended December 31, 2023	2022	2021
Proceeds from long-term debt	$ 1,264	$ 822	$ 1,118
Repayments of long-term debt	(282)	(15)	(372)
(Repayments of) proceeds from term loan	—	—	(500)
Net proceeds from common stock financing	1,688	—	—
Net short-term (repayments) borrowings with maturities less than three months	(996)	591	(198)
Dividends paid	(532)	(467)	(428)
Other financing activities, net (a)	46	69	35
Net cash provided by (used in) financing activities	$ 1,188	$ 1,000	$ (345)

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, advances and contributions in aid of construction, net of refunds, and debt issuance costs and make-whole premiums on early debt redemption.

In 2023, cash flows provided by financing activities increased $188 million, primarily due to the common stock financing and issuance of long-term debt. This was partially offset by repayment in full of the short-term commercial paper obligations during the first half of 2023.

The Company's financing activities are primarily focused on funding regulated infrastructure expenditures, regulated acquisitions and payment of dividends. These activities included the issuance of long-term and short-term debt, primarily through AWCC and equity issuances from parent company. Based on the needs of the Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and parent company. The Regulated Businesses and parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. Parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2023, AWCC has made long-term fixed rate loans to the Regulated Businesses amounting to $7.6 billion. Additionally, as of December 31, 2023, AWCC has made long-term fixed rate loans to parent company amounting to $3.4 billion.

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of parent company common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of AWCC, the wholly owned finance subsidiary of parent company, and for general corporate purposes.

On June 29, 2023, AWCC issued, in a private placement, $1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). AWCC received net proceeds of approximately $1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder was used for general corporate purposes. See Note 11—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts (through AWCC) for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company minimizes the counterparty credit risk on these transactions by dealing only with leading, creditworthy financial institutions, having long-term credit ratings of "A" or better.

In November and December 2023, the Company entered into six treasury lock agreements, each with a term of 10 years, with notional amounts totaling $225 million, to reduce interest rate exposure on debt expected to be issued in 2024. These treasury lock agreements terminate in September 2024, and have an average fixed rate of 4.24%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

During 2022 and the first half of 2023, the Company entered into 11 treasury lock agreements, each with a term of 10 years, with notional amounts totaling $300 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In June 2023, the Company terminated the treasury lock agreements realizing a net gain of $3 million included in Other, net in the accompanying Consolidated Statements of Operations.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2023, 2022 or 2021.

In February 2021, parent company and AWCC filed with the SEC a universal shelf registration statement that enables the Company to meet its capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration statement will expire in February 2024. During 2022 and 2021, $800 million, and $1.10 billion, respectively, of debt securities were issued under this registration statement. During 2023 under this registration statement, parent company issued 12,650,000 shares of its common stock for aggregate net proceeds of approximately $1,688 million.

Presented in the table below are the issuances of long-term debt in 2023:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC (a)	Senior notes—fixed rate	3.63%	3.63%	2026	$ 1,035
AWCC (a)	Private activity bonds and government funded debt—fixed rate	3.70%-3.88%	3.80%	2028	86
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-3.75%	2.88%	2025-2041	143
Total issuances					$ 1,264

(a) This indebtedness is considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness. See "—Issuer and Guarantor of Senior Notes" below.

Presented in the table below are the retirements and redemptions of long-term debt in 2023 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC	Senior notes—fixed rate	6.55%	6.55%	2023	$ 14
AWCC	Private activity bonds and government funded debt—fixed rate	0.60%-2.31%	0.68%	2023-2031	87
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.20%	2023-2051	163
Other American Water subsidiaries	Mortgage bonds—fixed rate	6.76%-6.96%	6.84%	2023	18
Total retirements and redemptions					$ 282

From time to time and as market conditions warrant, the Company may engage in long-term debt retirements through make-whole redemptions, tender offers, open market repurchases or other viable alternatives.

Issuer and Guarantor of Senior Notes

Outstanding unsecured senior notes issued by AWCC (other than the Notes) have been issued under two indentures, each by and between AWCC and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the notes issued thereunder. The Notes were issued under an indenture, by and among AWCC, parent company and U.S. Bank Trust Company, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the Notes. The senior notes and the Notes have been issued with the benefit of a support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness. No other subsidiary of parent company provides guarantees for any of such indebtedness. If AWCC is unable to make timely payment of any interest, principal or premium, if any, on such senior notes or the Notes, parent company will provide to AWCC, at its request or the request of any holder thereof, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any such holder, when due, the support agreement provides that such holder may proceed directly against parent company to enforce such rights or to obtain payment of the defaulted amounts owed to that holder.

As a wholly owned finance subsidiary of parent company, AWCC has no significant assets other than obligations of parent company and certain of its subsidiaries in its Regulated Businesses segment to repay certain intercompany loans made to them by AWCC. AWCC's ability to make payments of amounts owed to holders of the senior notes and the Notes will be dependent upon AWCC's receipt of sufficient payments of amounts owed pursuant to the terms of such intercompany loans and from its ability to issue indebtedness or otherwise obtain loans in the future, the proceeds of which would be used to fund the repayment of the senior notes and the Notes.

Because parent company is a holding company and substantially all of its operations are conducted through its subsidiaries other than AWCC, parent company's ability to fulfill its obligations under the support agreement will be dependent upon its receipt of sufficient cash dividends or distributions from its operating subsidiaries. See Note 9—Shareholders' Equity—Dividends and Distributions, in the Notes to the Consolidated Financial Statements for a summary of the limitations on parent company and its subsidiaries to pay dividends or make distributions. Furthermore, parent company's operating subsidiaries are separate and distinct legal entities and,

other than AWCC, have no obligation to make any payments on the senior notes or the Notes or to make available or provide any funds for such payment, other than through their repayment obligations under intercompany loans, if any, with AWCC. Based on the foregoing, parent company's obligations under the support agreement will be effectively subordinated to all indebtedness and other liabilities, including trade payables, lease commitments and moneys borrowed or other indebtedness incurred or issued by parent company's subsidiaries other than AWCC.

Credit Facilities and Short-Term Debt

Interest rates on advances under the AWCC revolving credit facility are based on a credit spread to the Secured Overnight Financing Rate ("SOFR") rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody Investors Service's and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. Indebtedness under the facility and AWCC's commercial paper are considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations thereunder.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2023		
(In millions)	**Commercial Paper Limit**	**Letters of Credit**	**Total (a)**
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(180)	(75)	(255)
Remaining availability as of December 31, 2023	$ 2,420	$ 75	$ 2,495

(a) Total remaining availability of $2.50 billion as of December 31, 2023, was accessible through revolver draws.

	2022		
(In millions)	**Commercial Paper Limit**	**Letters of Credit**	**Total (a)**
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	$ 1,423	$ 72	$ 1,495

(a) Total remaining availability of $1.50 billion as of December 31, 2022, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2023 and 2022:

(In millions)	**Cash and Cash Equivalents**	**Availability on Revolving Credit Facility**	**Total Available Liquidity**
Available liquidity as of December 31, 2023	$ 330	$ 2,495	$ 2,825
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580

The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 5.51% and 4.41%, for the years ended December 31, 2023 and 2022, respectively.

Capital Structure

Presented in the table below is the percentage of the Company's capitalization represented by the components of its capital structure as of December 31:

	2023	2022	2021
Total common shareholders' equity	44.2%	38.3%	39.9%
Long-term debt and redeemable preferred stock at redemption value	52.9%	54.4%	56.6%
Short-term debt and current portion of long-term debt	2.9%	7.3%	3.5%
Total	100%	100%	100%

The change in the capital structure mix in 2023 is mainly attributable to the common stock issuance on March 3, 2023, and the long-term debt issuance on June 29, 2023. The proceeds from these issuances were used to repay short-term commercial paper borrowings.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2023, the Company's ratio was 0.56 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of February 14, 2024, as issued by Moody's Investors Service on January 29, 2024, and S&P Global Ratings on February 6, 2023:

Securities	Moody's Investors Service	S&P Global Ratings
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. The Company does not have any material borrowings that are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, power and other fuel, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends and Regulatory Restrictions

For discussion of the Company's dividends, dividend restrictions and dividend policy, see Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Insurance Coverage

The Company carries various property, casualty, cyber and financial insurance policies with limits, deductibles and exclusions that it believes are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience which in turn can impact coverage terms and conditions on a going-forward basis. The Company is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on the Company's short-term and long-term financial condition and its results of operations and cash flows.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and develop estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and judgments applied to these accounting policies could have a significant impact on the Company's financial condition, results of operations and cash flows, as reflected in the Company's Consolidated Financial Statements. Management has reviewed the critical accounting polices described below with the Company's Audit, Finance and Risk Committee, including the estimates, assumptions and judgments used in their application. Additional discussion regarding these critical accounting policies and their application can be found in Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements.

Regulation and Regulatory Accounting

The Company's regulated utilities are subject to regulation by PUCs and, as such, the Company follows the authoritative accounting principles required for rate regulated utilities, which requires the Company to reflect the effects of rate regulation in its Consolidated Financial Statements. Use of this authoritative guidance is applicable

to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2023, the Company concluded that the operations of its utilities met the criteria.

Application of this authoritative guidance has a further effect on the Company's financial statements as it pertains to allowable costs used in the ratemaking process. The Company makes significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgments include, but are not limited to, assets and liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation rates and taxes. Due to timing and other differences in the collection of revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the principles require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers.

For each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable future recovery or probable future settlement, the Company's Consolidated Statements of Operations and financial position could be materially affected. In addition, if the Company concludes in a future period that a separable portion of the business no longer meets the criteria, the Company is required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the Consolidated Financial Statements. Failure to meet the criteria of this authoritative guidance could materially impact the Company's Consolidated Financial Statements.

As of December 31, 2023 and 2022, the Company's regulatory asset balance was $1.1 billion and $1.0 billion, respectively, and its regulatory liability balance was $1.5 billion and $1.6 billion, respectively. See Note 3—Regulatory Matters in the Notes to Consolidated Financial Statements for further information regarding the Company's significant regulatory assets and liabilities.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of NOL carryforwards.

In accordance with applicable authoritative guidance, the Company accounts for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

The Company evaluates the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and its intent and ability to implement tax planning strategies, if necessary, to realize

deferred tax assets. The Company also assesses its ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. The Company records valuation allowances for deferred tax assets when it concludes that it is more-likely-than-not such benefit will not be realized in future periods.

Under GAAP, specifically ASC 740, *Income Taxes*, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. For the Company's regulated entities, the change in deferred taxes are recorded as either an offset to a regulatory asset or a regulatory liability and may be subject to refund to customers. For the Company's unregulated operations, the change in deferred taxes are recorded as a non-cash re-measurement adjustment to earnings.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations, failure to successfully implement tax planning strategies and recovery of taxes through the regulatory process for the Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. The resulting tax balances as of December 31, 2023 and 2022, are appropriately accounted for in accordance with the applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to the Consolidated Financial Statements and such adjustments could be material. See Note 14—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared service operations. The Company also maintains other postretirement benefit plans providing medical and life insurance to eligible retirees. See Note 2—Significant Accounting Policies and Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional information regarding the description of and accounting for the defined benefit pension plans and postretirement benefit plans.

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- Discount Rate—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.
- Expected Return on Plan Assets ("EROA")—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs the Company records currently.
- Rate of Compensation Increase—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement.

- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care.
- Mortality— Management adopted the Society of Actuaries Pri-2012 mortality base table, the most recent table developed from private pension plan experience, which provides rates of mortality in 2012 and adopted the new MP-2021 mortality improvement scale to gradually adjust future mortality rates downward due to increased longevity in each year after 2012.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The weighted-average discount rate assumption for determining pension benefit obligations was 5.18%, 5.58% and 2.94% at December 31, 2023, 2022 and 2021, respectively. The weighted-average discount rate assumption for determining other postretirement benefit obligations was 5.22%, 5.60% and 2.90% at December 31, 2023, 2022 and 2021, respectively.

In selecting an EROA, the Company considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The weighted-average EROA assumption used in calculating pension cost was 6.79% for 2023, 6.50% for 2022 and 6.50% for 2021. The weighted-average EROA assumption used in calculating other postretirement benefit costs was 5.00% for 2023, 3.60% for 2022 and 3.67% for 2021.

Presented in the table below are the allocations of the pension plan assets by asset category:

Asset Category	2024 Target Allocation	Percentage of Plan Assets as of December 31,	
		2023	2022
Equity securities	37%	41%	57%
Fixed income	63%	59%	43%
Total	100%	100%	100%

Presented in the table below are the allocations of the other postretirement benefit plan assets by asset category:

Asset Category	2024 Target Allocation (a)	Percentage of Plan Assets as of December 31,	
		2023	2022
Equity securities	27%	32%	30%
Fixed income	73%	68%	70%
Total	100%	100%	100%

(a) Refer to Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional details on the allocations of assets and the trusts which fund the other postretirement benefit plans

The investments of the pension and postretirement welfare plan trusts include debt and equity securities held either directly or through mutual funds, commingled funds and limited partnerships. The trustee for the Company's defined benefit pension and postretirement welfare plans uses an independent valuation firm to calculate the fair value of plan assets.

In selecting a rate of compensation increase, the Company considers past experience in light of movements in inflation rates. The Company's rate of compensation increase was 3.51% for 2023, 2022 and 2021.

In selecting health care cost trend rates, the Company considers past performance and forecasts of increases in health care costs. As of January 1, 2023, the Company's health care cost trend rate assumption used to calculate the periodic benefit cost was 7.00% in 2023 gradually declining to 5.00% in 2031 and thereafter. As of December 31, 2023, the Company projects that medical inflation will be 6.75% in 2024 gradually declining to 5.00% in 2031 and thereafter.

The Company will use a weighted-average discount rate and EROA of 5.18% and 6.79%, respectively, for estimating its 2024 pension costs. Additionally, the Company will use a weighted-average discount rate and EROA of 5.22% and 5.00%, respectively, for estimating its 2024 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase the Company's pension expense. The Company's 2023 pension and postretirement total net benefit credit was $6 million and the 2022 pension and postretirement total net benefit credit was $47 million. The Company expects to make pension contributions to the plan trusts of $44 million in 2024; however, the actual amounts contributed could change materially from this estimate. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards.

Benefit Plan Amendments

In December 2022, the Company amended the American Water Pension Plan ("AWPP"), a tax-qualified defined benefit pension plan, to restructure it as of December 31, 2022. The restructuring involved the spin-off of certain inactive participants from the existing AWPP into a separate tax-qualified defined benefit pension plan, the American Water Pension Plan for Certain Inactive Participants ("AWPP Inactive"). Benefits offered to the plan participants remain unchanged. Actuarial gains and losses associated with AWPP Inactive are amortized over the average remaining life expectancy of the inactive participants. The actuarial gains and losses associated with the AWPP continued to be amortized over the average remaining service period for active participants. The Company remeasured the pension plan obligation and assets to reflect the amendment for each plan as of December 31, 2022.

In December 2022, the Company completed plan amendments to spin-off and merge a portion of the American Water Retiree Welfare Plan, with and into the Company's medical plan for active employees ("Active Medical Plan"), in order to repurpose the over-funded portion of the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust. Benefits offered to the plan participants remain unchanged. As a result of these changes, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of Active Medical Plan participants ("Active VEBA"). The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately $194 million of assets, as of December 31, 2022, for purposes of paying active union employee medical benefits. The Company recorded the transfer of assets as a negative contribution and therefore did not record a gain or loss, as permitted by accounting guidance. See Note 18—Fair Value of Financial Information in the Notes to Consolidated Financial Statements, for additional information on accounting for the assets as investments in debt and equity securities.

Revenue Recognition

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis, and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for the Company's regulated utilities as of December 31, 2023 and 2022 was $193 million and $178 million, respectively.

The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

The Company also has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue within Other as of December 31, 2023 and 2022, was $109 million and $97 million, respectively.

Revenue from the Company's former HOS business, which was sold in December 2021, was generated through various protection programs in which the Company provided fixed fee services to domestic homeowners and smaller commercial customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters, power surge protection and other related services. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

Accounting for Contingencies

The Company records loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss or a range of losses can be reasonably estimated. The determination of a loss contingency is based on management's judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limited to: the nature of the litigation, claim or assessment, review of applicable law, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. The Company provides disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. The Company provides estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement or other resolution of loss contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the Consolidated Financial Statements. See Note 16—Commitments and Contingencies in the Notes to Consolidated Financial Statements for additional information regarding contingencies.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. The Company is exposed to risks from changes in interest rates as a result of its issuance of variable and fixed rate debt and commercial paper. The Company manages its interest rate exposure by limiting its variable rate exposure and by monitoring the effects of market changes in interest rates. The Company also has the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2023, a hypothetical increase of interest rates by 1% associated with the Company's short-term borrowings would result in a $3 million increase in short-term interest expense.

As of December 31, 2023, the Company had six treasury lock agreements, each with a term of 10 years, with notional amounts totaling $225 million, to reduce interest rate exposure on debt expected to be issued in 2024. These treasury lock agreements terminate in September 2024, and have an average fixed rate of 4.24%. When entering into treasury locks, the Company is subject to market risk with respect to changes in the underlying benchmark interest rate that impacts the fair value of the treasury locks. The Company manages market risk by matching the terms of the treasury locks with the critical terms of the expected debt issuance. The fair value of the treasury locks at December 31, 2023, was in a loss position of $8 million. A hypothetical 1% adverse change in interest rates would result in a decrease in the fair value of the treasury locks to a loss position of approximately $26 million at December 31, 2023.

The Company's risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on the Company's results of operations, financial position and cash flows.

The market price of the Company's common stock may experience fluctuations, which may be unrelated to its operating performance. In particular, the Company's stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for the Company to access the capital markets in the future through additional offerings of its common stock or other equity securities, regardless of its financial performance, and such difficulty may preclude the Company from being able to take advantage of certain business opportunities or meet business obligations.

The Company is exposed to credit risk through its water, wastewater and related services. The Company's Regulated Businesses serve residential, commercial, industrial and other customers, while the businesses within Other engage in business activities with government entities and other customers. The Company's primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. The Company's credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. The Company's credit portfolio is diversified with no significant customer or industry concentrations. In addition, the Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company's retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset values can impact the Company's pension and other benefits expense,

funded status and future minimum funding requirements. Changes in interest rates can impact retirement liabilities. The Company aims to reduce risk through asset diversification and by investing in long duration fixed-income securities that have a duration similar to that of its pension liabilities, seeking to hedge some of the interest rate sensitivity of its liabilities. That way, if interest rates fall and liabilities increase, the Company expects that the fixed-income assets in its retirement trust will also increase in value. The Company also expects its risk to be reduced through its ability to recover pension and other benefit costs through rates.

The Company is also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which it operates. The credit quality of the Company's customer accounts receivable is dependent on the economy and the ability of its customers to manage through unfavorable economic cycles and other market changes. In addition, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, the Company's ability to fully recover operating expense, recover its investment and provide an appropriate return on invested capital made in the Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in

accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were $1,119 million and $1,482 million, respectively, as of December 31, 2023. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

The principal considerations for our determination that performing procedures relating to accounting for the effects of rate regulation is a critical audit matter are the significant judgment by management in accounting for regulatory assets and liabilities relative to whether regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement as a result of changes in regulatory environments, recent rate orders, and the status of any pending or potential legislation. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence obtained relating to management's judgments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's regulatory accounting process, including controls over management's assessment and consideration of factors related to the probability of future recovery or settlement. These procedures also included, among others, evaluating the reasonableness of management's judgments regarding the probability of recovery and settlement based on the Company's correspondence with regulators, status of regulatory proceedings, past practices, and other relevant information; evaluating the related accounting

and disclosure implications; and evaluating regulatory asset and liability balances based on provisions and formulas outlined in rate orders and other correspondence with the Company's regulators.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 14, 2024

We have served as the Company's auditor since 1948.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2023	December 31, 2022
ASSETS		
Property, plant and equipment	$ 32,189	$ 29,736
Accumulated depreciation	(6,751)	(6,513)
Property, plant and equipment, net	25,438	23,223
Current assets:		
Cash and cash equivalents	330	85
Restricted funds	34	32
Accounts receivable, net of allowance for uncollectible accounts of $51 and $60, respectively	339	334
Income tax receivable	86	114
Unbilled revenues	302	275
Materials and supplies	112	98
Other	186	312
Total current assets	1,389	1,250
Regulatory and other long-term assets:		
Regulatory assets	1,106	990
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	86	82
Goodwill	1,143	1,143
Other	416	379
Total regulatory and other long-term assets	3,471	3,314
Total assets	$ 30,298	$ 27,787

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2023	December 31, 2022
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 200,144,968 and 187,200,539 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	8,550	6,824
Retained earnings	1,659	1,267
Accumulated other comprehensive loss	(26)	(23)
Treasury stock, at cost (5,414,867 and 5,342,477 shares, respectively)	(388)	(377)
Total common shareholders' equity	9,797	7,693
Long-term debt	11,715	10,926
Redeemable preferred stock at redemption value	3	3
Total long-term debt	11,718	10,929
Total capitalization	21,515	18,622
Current liabilities:		
Short-term debt	179	1,175
Current portion of long-term debt	475	281
Accounts payable	294	254
Accrued liabilities	791	706
Accrued taxes	67	49
Accrued interest	93	91
Other	252	255
Total current liabilities	2,151	2,811
Regulatory and other long-term liabilities:		
Advances for construction	352	316
Deferred income taxes and investment tax credits	2,717	2,437
Regulatory liabilities	1,481	1,590
Operating lease liabilities	73	70
Accrued pension expense	262	235
Other	196	202
Total regulatory and other long-term liabilities	5,081	4,850
Contributions in aid of construction	1,551	1,504
Commitments and contingencies (See Note 16)		
Total capitalization and liabilities	$ 30,298	$ 27,787

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations
(In millions, except per share data)

	For the Years Ended December 31,		
	2023	2022	2021
Operating revenues	$4,234	$3,792	$3,930
Operating expenses:			
Operation and maintenance	1,720	1,589	1,777
Depreciation and amortization	704	649	636
General taxes	307	281	321
Other	(1)	—	—
Total operating expenses, net	2,730	2,519	2,734
Operating income	1,504	1,273	1,196
Other income (expense):			
Interest expense	(460)	(433)	(403)
Interest income	73	52	4
Non-operating benefit costs, net	32	77	78
Gain on sale of businesses	—	19	747
Other, net	47	20	18
Total other income (expense)	(308)	(265)	444
Income before income taxes	1,196	1,008	1,640
Provision for income taxes	252	188	377
Net income attributable to common shareholders	$ 944	$ 820	$1,263
Basic earnings per share: (a)			
Net income attributable to common shareholders	$ 4.90	$ 4.51	$ 6.96
Diluted earnings per share: (a)			
Net income attributable to common shareholders	$ 4.90	$ 4.51	$ 6.95
Weighted average common shares outstanding:			
Basic	193	182	182
Diluted	193	182	182

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2023	2022	2021
Net income attributable to common shareholders	$ 944	$ 820	$ 1,263
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of $(2), $5 and $0 in 2023, 2022 and 2021, respectively	(3)	14	(1)
Defined benefit pension plan actuarial loss, net of tax of $0, $1 and $1 in 2023, 2022 and 2021, respectively	4	3	4
Unrealized gain (loss) on cash flow hedges, net of tax of $0, $1 and $1 in 2023, 2022 and 2021, respectively	(8)	5	1
Unrealized gain (loss) on available-for-sale fixed-income securities, net of tax of $0 in 2023, 2022 and 2021	4	—	—
Net other comprehensive income (loss)	(3)	22	4
Comprehensive income attributable to common shareholders	$ 941	$ 842	$ 1,267

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2023	**2022**	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 944	$ 820	$ 1,263
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	704	649	636
Deferred income taxes and amortization of investment tax credits	208	80	230
Provision for losses on accounts receivable	24	24	37
Gain on sale of businesses	—	(19)	(747)
Pension and non-pension postretirement benefits	(6)	(47)	(41)
Other non-cash, net	(27)	7	(23)
Changes in assets and liabilities:			
Receivables and unbilled revenues	(56)	(114)	(74)
Income tax receivable	28	(110)	21
Pension and non-pension postretirement benefit contributions	(49)	(51)	(40)
Accounts payable and accrued liabilities	70	(8)	66
Accrued taxes	21	(118)	129
Other assets and liabilities, net	13	(5)	(16)
Net cash provided by operating activities	1,874	1,108	1,441
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(2,575)	(2,297)	(1,764)
Acquisitions, net of cash acquired	(81)	(315)	(135)
Proceeds from sale of assets, net of cash on hand	—	608	472
Removal costs from property, plant and equipment retirements, net	(159)	(123)	(109)
Net cash used in investing activities	(2,815)	(2,127)	(1,536)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	1,264	822	1,118
Repayments of long-term debt	(282)	(15)	(372)
(Repayments of) proceeds from term loan	—	—	(500)
Net proceeds from common stock financing	1,688	—	—
Net short-term (repayments) borrowings with maturities less than three months	(996)	591	(198)
Advances and contributions in aid of construction, net of refunds of $25, $19 and $25 in 2023, 2022 and 2021, respectively	60	74	62
Debt issuance costs and make-whole premium on early debt redemption	(16)	(7)	(26)
Dividends paid	(532)	(467)	(428)
Other, net	2	2	(1)
Net cash provided by (used in) financing activities	1,188	1,000	(345)
Net (decrease) increase in cash, cash equivalents and restricted funds	247	(19)	(440)
Cash, cash equivalents and restricted funds at beginning of period	117	136	576
Cash, cash equivalents and restricted funds at end of period	$ 364	$ 117	$ 136
Cash paid during the year for:			
Interest, net of capitalized amount	$ 445	$ 414	$ 389
Income taxes, net of refunds of $30, $2 and $6 in 2023, 2022 and 2021, respectively	$ —	$ 335	$ 1
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	$ 399	$ 330	$ 292
Seller promissory note from the sale of the Homeowner Services Group	$ —	$ —	$ 720
Contingent cash payment from the sale of the Homeowner Services Group	$ —	$ —	$ 75

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Changes in Shareholders' Equity

(In millions, except per share data)

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2020	186.5	$ 2	$ 6,747	$ 102	$ (49)	(5.2)	$ (348)	$ 6,454
Net income attributable to common shareholders	—	—	—	1,263	—	—	—	1,263
Common stock issuances (a)	0.4	—	34	—	—	(0.1)	(17)	17
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends ($2.41 declared per common share)	—	—	—	(440)	—	—	—	(440)
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298
Net income attributable to common shareholders	—	—	—	820	—	—	—	820
Common stock issuances (a)	0.5	—	43	—	—	(0.1)	(12)	31
Net other comprehensive income	—	—	—	—	22	—	—	22
Dividends ($2.62 declared per common share)	—	—	—	(478)	—	—	—	(478)
Balance as of December 31, 2022	187.4	$ 2	$ 6,824	$ 1,267	$ (23)	(5.4)	$ (377)	$ 7,693
Net income attributable to common shareholders	—	—	—	944	—	—	—	944
Common stock issuances (a)	12.7	—	1,726	—	—	(0.1)	(11)	1,715
Net other comprehensive loss	—	—	—	—	(3)	—	—	(3)
Dividends ($2.83 declared per common share)	—	—	—	(552)	—	—	—	(552)
Balance as of December 31, 2023	200.1	$ 2	$ 8,550	$ 1,659	$ (26)	(5.5)	$ (388)	$ 9,797

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and direct stock purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Notes to Consolidated Financial Statements
(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the "Company" or "American Water") is a holding company for subsidiaries that provide water and wastewater services throughout the United States. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries. The Company's primary business involves the ownership of regulated utilities that provide water and wastewater services in 14 states in the United States, collectively referred to as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These other businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented throughout this Annual Report on Form 10-K within "Other."

Note 2: Significant Accounting Policies

Regulation

The Company's regulated utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions ("PUCs"). As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's Consolidated Financial Statements. PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also approve accounting treatments, long-term financing programs and cost of capital, operation and maintenance ("O&M") expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers, acquisitions and dispositions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility's revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, these principles also require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 3—Regulatory Matters for additional information.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires that management make estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. The Company considers its critical accounting estimates to include (i) the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities, (ii) revenue recognition and the estimates used in the calculation of unbilled revenue, (iii) accounting for income taxes, (iv) benefit plan assumptions and (v) the estimates and judgments used in determining loss contingencies. The Company's critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, income taxes, benefit plan assumptions and contingency-related obligations.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany balances and transactions.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant utilized by the Company's regulated utilities. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction ("AFUDC"). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of utility plant is depreciated using the straight-line average remaining life, group method. The Company's regulated utilities record depreciation in conformity with amounts approved by PUCs, after regulatory review of the information the Company submits to support its estimates of the assets' remaining useful lives.

Nonutility property consists primarily of buildings and equipment utilized by the Military Services Group ("MSG") and for internal operations. This property is stated at cost, net of accumulated depreciation, which is calculated using the straight-line method over the useful lives of the assets.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs, net of amortization, amounted to $419 million and $369 million as of December 31, 2023 and 2022, respectively.

Cash and Cash Equivalents, and Restricted Funds

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted funds consist primarily of proceeds from financings for the construction and capital improvement of facilities, and deposits for future services under O&M projects. Proceeds are held in escrow or interest-bearing accounts until the designated expenditures are incurred. Restricted funds are classified on the Consolidated Balance Sheets as either current or long-term based upon the intended use of the funds.

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers generally on a monthly basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are the trade accounts receivable of other businesses, primarily MSG, and nonutility customer receivables of the regulated subsidiaries. Unbilled revenues are accrued when service has been provided but has not been billed to customers and when costs exceed billings on certain construction contracts.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for

uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. See Note 7—Allowance for Uncollectible Accounts for additional information.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Seller Promissory Note

The Company's secured seller promissory note is accounted for under Accounting Standards Codification ("ASC") Topic 310, *Receivables*, and is classified as held for investment and accounted for at amortized cost at the present value of consideration received for the sale of its Homeowner Services Group ("HOS") business. Interest income from the secured seller promissory note is accrued based on the principal amount outstanding and earned over the contractual life of the loan.

Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued liabilities and operating lease liabilities on the Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, accrued liabilities and other long-term liabilities on the Consolidated Balance Sheets. The Company has made an accounting policy election not to include operating leases with a lease term of twelve months or less.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of discounted lease payments. The implicit rate is used when readily determinable. ROU assets also include any upfront lease payments and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g., common-area maintenance costs), which are generally accounted for separately; however, the Company accounts for the lease and non-lease components as a single lease component for certain leases. Certain lease agreements include variable rental payments adjusted periodically for inflation. Additionally, the Company applies a portfolio approach to effectively account for the ROU assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized and must be allocated at the reporting unit level, which is defined as an operating segment or one level below, and tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying value.

The Company's goodwill is primarily associated with the acquisition of American Water by an affiliate of the Company's previous owner in 2003 and has been allocated to reporting units based on the fair values at the date of the acquisitions. For purposes of testing goodwill for impairment, the reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The goodwill of Other is attributable to the MSG reporting unit.

The Company's annual impairment testing is performed as of November 30 of each year. The Company assesses qualitative factors to determine whether quantitative testing is necessary. If it is determined, based upon qualitative factors, that the estimated fair value of a reporting unit is, more likely than not, greater than its carrying value, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment and determines that the estimated fair value of a reporting unit, is more likely than not, less than its carrying value, a quantitative, fair value-based assessment is performed. This quantitative testing compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. An impairment loss will be recognized in the amount equal to the excess of the reporting unit's carrying value compared to its estimated fair value, limited to the total amount of goodwill allocated to that reporting unit.

Application of goodwill impairment testing requires management judgment, including the identification of reporting units and determining the fair value of reporting units. Management estimates fair value using a discounted cash flow analysis. Significant assumptions used in these fair value estimations include, but are not limited to, forecasts of future operating results, discount rate and growth rate.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate, however, if actual experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements. See Note 8—Goodwill for additional information.

Impairment of Long-Lived Assets

Long-lived assets, other than goodwill, primarily include property, plant and equipment. The Company evaluates long-lived assets for impairment when circumstances indicate the carrying value of those assets may not be recoverable. The Company determines if long-lived assets are potentially impaired by comparing the undiscounted expected future cash flows to the carrying value when indicators of impairment exist. When the undiscounted cash flow analysis indicates a long-lived asset may not be recoverable, the amount of the impairment loss is determined by measuring the excess of the carrying amount of the long-lived asset or asset group over its fair value.

The long-lived assets of the Company's regulated utilities are grouped on a separate entity basis for impairment testing, as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company believes the assumptions and other considerations used to value long-lived assets to be appropriate, however, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2023 and 2022, on the Consolidated Balance Sheets are estimated refunds of $18 million and $19 million, respectively. These amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions in aid of construction. Contributions in aid of construction are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions in aid of construction balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions in aid of construction, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was $40 million, $37 million and $36 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Revenue Recognition

Under ASC Topic 606, *Revenue From Contracts With Customers,* and all related amendments (collectively, "ASC 606"), a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under ASC 606, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether any performance obligations are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Regulated Businesses Revenue

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Other Revenue

The Company has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. See Note 4—Revenue Recognition for additional information.

Prior to December 9, 2021, through various warranty protection programs and other home services, the Company previously provided fixed fee services to residential customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters and other home appliances, as well as power surge protection and other related services through its former HOS business. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

Income Taxes

The Company and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis. See Note 14—Income Taxes for additional information.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility

subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest, net on the Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in other, net on the Consolidated Statements of Operations. Presented in the table below is AFUDC for the years ended December 31:

	2023	2022	2021
Allowance for other funds used during construction	$ 41	$ 20	$ 27
Allowance for borrowed funds used during construction	24	14	10

Derivative Financial Instruments

The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company designates the derivative as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities on the Consolidated Statements of Cash Flows. See Note 11—Long-Term Debt for additional information.

Pension and Other Postretirement Benefits

The Company maintains defined benefit pension plans and other postretirement benefit plans for eligible employees and retirees. The plan obligation and costs of providing benefits under these plans are annually measured as of December 31. The measurement involves various factors, assumptions and accounting elections. The impact of assumption changes or experience different from that assumed on pension and other postretirement benefit obligations is recognized over time rather than immediately recognized in the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income. Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service period of the current active membership for the plans, with the exception of the American Water Pension Plan for Certain Inactive Participants (“AWPP Inactive”), which is amortized over the average remaining life expectancy of the inactive participants. See Note 15—Employee Benefits for additional information.

The Company’s policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2023:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023	Prospective	This standard did not have a material impact on the Consolidated Financial Statements
Troubled Debt Restructurings and Vintage Disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings ("TDRs") by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	This standard did not have a material impact on the Consolidated Financial Statements
Presentation and Disclosure Requirements	The guidance amends GAAP disclosure and presentation requirements for various subtopics in the Financial Accounting Standards Board Codification and was issued in response to the U.S. Securities and Exchange Commission's ("SEC") final rule published in August 2018 that updated and simplified disclosure requirements that it believed were outdated, superseded, overlapping, duplicative and redundant. The new guidance is intended to align GAAP requirements with those of the SEC for all entities.	The date on which the SEC's removal of the related disclosure requirement became effective	Prospective	This standard did not have a material impact on the Consolidated Financial Statements

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2023:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Segment Reporting	The guidance in this standard expands reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Additionally, the guidance enhances interim disclosure requirements, clarifies circumstances in which an entity can disclose multiple segment measures of profit and loss, provides new segment disclosure requirements for entities with a single reportable segment, and other disclosure requirements.	January 1, 2024, effective for fiscal year 2024 and interim periods within fiscal years beginning in 2025	Retrospective	The Company is evaluating the impact on its Consolidated Financial Statements.
Income Taxes	The guidance in this standard requires disclosure of a tax rate reconciliation table, in both percentages and reporting currency amounts, which includes additional categories of information about federal, state, and foreign income taxes and provides further details about reconciling items in certain categories that meet a quantitative threshold. The guidance also requires an annual disclosure of income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes paid, and further disaggregated by jurisdiction based on a quantitative threshold. The standard includes other disclosure requirements and eliminates certain existing disclosure requirements.	January 1, 2025	Prospective, with retrospective application also permitted	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2023:

	Effective Date	Amount
General rate cases by state:		
Missouri	May 28, 2023	$ 44
Virginia	April 24, 2023 (a)	11
Pennsylvania	January 28, 2023	138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 273

(a) Interim rates were effective May 1, 2022, and the difference between interim and final approved rates were subject to refund. The Virginia State Corporation Commission issued its final Order on April 24, 2023.

On June 29, 2023, the California Public Utilities Commission ("CPUC") issued a decision on the cost of capital application for the Company's California subsidiary, which authorized a return on equity of 8.98% and a capital structure with an equity component of 57.04% for the three-year period from 2022 to 2024. The CPUC's decision was effective from the date of the order through the end of 2024. The decision included a Water Cost of Capital Mechanism (the "WCCM") that allows the California subsidiary to increase its return on equity for the remainder of 2023 and 2024 based on capital market rates. As authorized by the WCCM, the California subsidiary filed with the CPUC staff advice letters to increase the return on equity. On July 25, 2023, the CPUC staff approved a return on equity of 9.50%, effective July 31, 2023. On November 15, 2023, the CPUC staff approved a return on equity of 10.20%, effective January 1, 2024.

On May 3, 2023, the Missouri Public Service Commission issued an order approving the March 3, 2023, joint settlement agreement in the general rate case filed on July 1, 2022, by the Company's Missouri subsidiary. The general rate case order approved a $44 million annualized increase in water and wastewater revenues, excluding $51 million in previously approved infrastructure surcharges, and authorized implementation of the new water and wastewater rates effective May 28, 2023. The annualized revenue increase was driven primarily by significant incremental capital investments since the Missouri subsidiary's 2021 rate case order. The Missouri subsidiary's view of its rate base was $2.3 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) was 9.75% and 50.0%, respectively.

On April 24, 2023, the Virginia State Corporation Commission issued an order approving the settlement of the rate case filed on September 26, 2022, by the Company's Virginia subsidiary. The general rate case order approved an $11 million annualized increase in water and wastewater revenues. Interim rates in this proceeding were effective on May 1, 2022, and the order required that the difference between interim and the final approved rates were subject to refund within 90 days of the order issuance. The order approves the settlement terms with a return on equity of 9.7% and a common equity ratio of 40.7%. The annualized revenue increase was driven primarily by significant incremental capital investments since the Virginia subsidiary's 2020 rate case order that have been completed or were planned through April 30, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order includes recovery of the Virginia subsidiary's COVID-19 deferral balance. It also includes approval of the accounting deferral of deviations in pension and other postretirement benefits expense from those established in base rates, until the Virginia subsidiary's next base rate case.

On December 8, 2022, the Pennsylvania Public Utility Commission (the "PaPUC") issued an order approving the joint settlement agreement in the rate case filed on April 29, 2022, by the Company's Pennsylvania

subsidiary. The general rate case order approved a $138 million annualized increase in water and wastewater revenues, excluding $24 million for previously approved infrastructure filings, and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The annualized revenue increase was driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that were completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Pennsylvania subsidiary's COVID-19 deferral balance. The Pennsylvania subsidiary's view of its rate base was $5.1 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) was 10.0% and 44.8%, respectively.

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues, excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $18 million, effective January 1, 2023, based on an authorized return on equity of 9.78%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase was driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or were planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On January 25, 2024, the Company's Illinois subsidiary filed tariffs for new water and wastewater rates. The request seeks a two-step rate increase consisting of aggregate annualized incremental revenue, based on a proposed return on equity of 10.75%, of (i) approximately $136 million effective January 1, 2025, based on a future test year through December 31, 2025 with average rate base and a capital structure with an equity component of 52.27% and a debt component of 47.73%, and (ii) approximately $16 million effective January 1, 2026, based on a future test year to include end of period rate base and a capital structure with an equity component of 54.43% and a debt component of 45.57%. The requested increases are driven primarily by an estimated $557 million in capital investments to be made by the Illinois subsidiary starting January 2024 through December 2025. The request also proposes a treatment and compliance rider to address recovery of future environmental compliance investments, and a modification to the existing volume balancing account mechanism to include full production cost recovery.

On January 19, 2024, the Company's New Jersey subsidiary filed a general rate case requesting approximately $162 million in additional annualized revenues, which is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 56.30% and a debt component of 43.70%. The requested annualized revenue increase is driven primarily by approximately $1.3 billion in capital investments made and to be made by the New Jersey subsidiary through December 2024. The request also proposes a revenue decoupling mechanism and seeks a deferral of certain production cost adjustments.

On December 15, 2023, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2025. On February 2, 2024, the CPUC granted the request for a one year extension of the cost of capital filing to May 1, 2025, to set its authorized cost of capital beginning January 1, 2026.

On November 8, 2023, the Company's Pennsylvania subsidiary filed a general rate case requesting approximately $204 million in additional annualized revenues, excluding projected infrastructure surcharges of $20 million. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 55.30% and a debt component of 44.70%. The requested annualized incremental revenue increase

is driven primarily by an estimated $1.0 billion of incremental capital investments to be made through mid-2025. The request also proposes a mechanism to address compliance with evolving environmental requirements, such as emerging federal regulations for lead and per-and polyfluoroalkyl substances. If approved, the new rates would be expected to take effect on August 7, 2024.

On November 1, 2023, the Company's Virginia subsidiary filed a general rate case requesting $20 million in additional annualized revenues. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 45.67% and a debt and other component of 54.33%. The requested increase is driven by approximately $110 million in capital investments between May 2023 and April 2025. The request also proposed a revenue decoupling mechanism and seeks deferral of certain production cost adjustments. Interim rates will be effective May 1, 2024, with the difference between interim and final approved rates subject to refund.

On June 30, 2023, the Company's Kentucky subsidiary filed a general rate case requesting $26 million in additional annualized revenues, excluding infrastructure surcharges of $10 million. The request is based on a proposed return on common equity of 10.75% and a proposed capital structure with a common equity component of 52.45%. An order is expected in the general rate case by the end of the first quarter of 2024.

On May 1, 2023, the Company's West Virginia subsidiary filed a general rate case requesting $45 million in additional annualized revenues, excluding previously approved infrastructure surcharges of $7 million. The request is based on a proposed return on equity of 10.50% and a capital structure with an equity component of 52.80%. The general rate case includes a future test year capturing planned investment through 2025 and an order is expected to be issued by February 25, 2024. On June 30, 2023, the West Virginia subsidiary filed its annual infrastructure surcharge requesting $8 million in additional annualized revenues for planned investment through 2024. The infrastructure surcharge will be aligned with the investments recognized in the general rate case if the future test year is approved.

On March 31, 2023, the Company's Indiana subsidiary filed a general rate case requesting $87 million in additional annualized revenues, excluding $41 million of revenue from infrastructure filings already approved, which includes three step increases, with $43 million of the increase to be included in rates in January 2024, $18 million in May 2024, and $26 million in May 2025. The requested adjustment is based on a proposed return on equity of 10.60% and a capital structure with an equity component of 56.20%. Hearings were completed in September and an order is expected in the general rate case by the end of February 2024.

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, all as compared to 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised filing requested additional annualized revenues for the test year 2024 of $37 million, compared to 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million. On November 17, 2023, the California subsidiary filed with the CPUC a partial settlement agreement reached with the CPUC's Public Advocates Office, which would determine the amount of incremental annualized water and wastewater revenue to be received by the California subsidiary to be $20 million in the 2024 test year, $16 million in the 2025 escalation year, and $15 million in the 2026 attrition year. The partial settlement agreement addresses the California subsidiary's revenue requirement request but does not address rate design or certain other matters, such as the requested inclusion and implementation of a revenue stability mechanism to separate the California subsidiary's revenue and water sales. New rates would be implemented retroactively to January 1, 2024, upon a final decision issued by the CPUC approving the partial settlement agreement and resolving the other issues not addressed by the partial settlement agreement, which is expected to occur in mid-2024.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2023:

	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	(a)	$ 32
Kentucky	October 1, 2023	4
Indiana	(b)	26
Missouri	January 16, 2023	14
Pennsylvania	January 1, 2023	3
West Virginia	January 1, 2023	7
Total infrastructure surcharge authorizations		$ 86

(a) In 2023, $15 million was effective October 30, $1 million was effective June 29 and $16 million was effective April 29.
(b) In 2023, $20 million was effective March 23 and $6 million was effective March 8.

Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2024:

	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	January 20, 2024	$ 26
Illinois	January 1, 2024	5
Total infrastructure surcharge filings		$ 31

Pending Infrastructure Surcharge Filings

On January 31, 2024, the Company's Iowa subsidiary filed an infrastructure surcharge proceeding requesting $1 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would have become effective upon receiving an order in the current pending rate case. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which, if adopted, will become effective upon receiving an order in the current pending rate case.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities ("NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the decision remains pending. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company's total regulatory asset balance at December 31, 2023, earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	2023	2022
Deferred pension expense	$ 308	$ 251
Removal costs recoverable through rates	322	307
Unamortized debt expense	82	76
Regulatory balancing accounts	81	87
Other	313	269
Total regulatory assets	$ 1,106	$ 990

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $300 million and $251 million as of December 31, 2023 and 2022, respectively. The remaining portion is the pension expense in excess of authorized amounts which is deferred by certain subsidiaries and will be recovered in future service rates.

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

Unamortized debt expense is amortized over the lives of the respective issues. Call premiums on the redemption of long-term debt, as well as unamortized debt issuance costs, are deferred and amortized to the extent they will be recovered through future service rates.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs, purchased power and water accounts, dam removal costs and other cost balancing mechanisms.

Other regulatory assets include the financial impacts relating to the COVID-19 pandemic, customer owned lead service line removal costs, purchase premiums recoverable through rates, tank painting costs, certain construction costs for treatment facilities, property tax stabilization, employee-related costs, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

The Company has current regulatory assets of $13 million and $40 million included in other current assets on the Consolidated Balance Sheets as of December 31, 2023 and 2022, respectively.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. Presented in the table below is the composition of regulatory liabilities as of December 31:

	2023	2022
Income taxes recovered through rates	$ 1,064	$ 1,127
Removal costs recovered through rates	254	275
Postretirement benefit liability	85	100
Other	78	88
Total regulatory liabilities	$ 1,481	$ 1,590

Income taxes recovered through rates relate to deferred taxes that will be refunded to the Company's customers. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 ("TCJA") was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, as amended, including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. The enactment of the TCJA required a re-measurement of the Company's deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as the excess accumulated deferred income taxes ("EADIT") will be used to benefit its regulated customers in future rates. All of the Company's regulated subsidiaries are amortizing EADIT and crediting customers.

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful lives that are recovered through customer rates over the lives of the associated assets.

Postretirement benefit liability includes a portion of the over-funded status that is probable of refund through rates in future periods. The remaining portion represents prior service credits resulting from announced plan amendments which changed benefits for certain union and non-union plan participants.

Other regulatory liabilities include the financial impacts relating to the COVID-19 pandemic, TCJA reserves on revenue, pension and other postretirement benefit balancing accounts, legal settlement proceeds, deferred gains and various regulatory balancing accounts.

The Company has current regulatory liabilities of $1 million and $5 million included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2023 and 2022, respectively.

Note 4: Revenue Recognition

Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2023:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 2,143	$ —	$ 2,143
Commercial	798	—	798
Fire service	158	—	158
Industrial	167	—	167
Public and other	274	—	274
Total water services	3,540	—	3,540
Wastewater services:			
Residential	228	—	228
Commercial	62	—	62
Industrial	8	—	8
Public and other	29	—	29
Total wastewater services	327	—	327
Miscellaneous utility charges	35	—	35
Alternative revenue programs	—	10	10
Lease contract revenue	—	8	8
Total Regulated Businesses	3,902	18	3,920
Other	315	(1)	314
Total operating revenues	$ 4,217	$ 17	$ 4,234

(a) Includes revenues associated with alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,938	$ 3	$ 1,941
Commercial	709	1	710
Fire service	147	—	147
Industrial	152	1	153
Public and other	252	—	252
Total water services	3,198	5	3,203
Wastewater services:			
Residential	173	1	174
Commercial	45	—	45
Industrial	4	—	4
Public and other	19	—	19
Total wastewater services	241	1	242
Miscellaneous utility charges	36	—	36
Alternative revenue programs	—	15	15
Lease contract revenue	—	9	9
Total Regulated Businesses	3,475	30	3,505
Other	288	(1)	287
Total operating revenues	$ 3,763	$ 29	$ 3,792

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,935	$ —	$ 1,935
Commercial	676	—	676
Fire service	151	—	151
Industrial	141	—	141
Public and other	230	—	230
Total water services	3,133	—	3,133
Wastewater services:			
Residential	151	—	151
Commercial	37	—	37
Industrial	4	—	4
Public and other	16	—	16
Total wastewater services	208	—	208
Miscellaneous utility charges	26	—	26
Alternative revenue programs	—	9	9
Lease contract revenue	—	8	8
Total Regulated Businesses	3,367	17	3,384
Other	547	(1)	546
Total operating revenues	$ 3,914	$ 16	$ 3,930

(a) Includes revenues associated with alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In MSG, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $95 million, $86 million and $71 million are included in unbilled revenues on the Consolidated Balance Sheets as of December 31, 2023, 2022 and 2021, respectively. There were $87 million of contract assets added during 2023, and $78 million of contract assets were transferred to accounts receivable during 2023. There were $161 million of contract assets added during 2022, and $146 million of contract assets were transferred to accounts receivable during 2022.

Contract liabilities of $63 million, $91 million and $19 million are included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2023, 2022 and 2021, respectively. There were $103 million of contract liabilities added during 2023, and $131 million of contract liabilities were recognized as revenue during 2023. There were $189 million of contract liabilities added during 2022, and $117 million of contract liabilities were recognized as revenue during 2022.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of December 31, 2023, the Company's O&M and capital improvement contracts in MSG and the Contract Services Group have RPOs. Contracts with the U.S. government for work on military installations expire between 2051 and 2073 and have RPOs of $7.2 billion as of December 31, 2023, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of $612 million as of December 31, 2023, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures

Regulated Businesses

Closed Acquisitions

During 2023, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $77 million, which added approximately 18,100 water and wastewater customers. Assets acquired from these acquisitions, principally utility plant, totaled $81 million and liabilities assumed totaled $4 million. This includes the Company's New Jersey subsidiary's acquisition of the water and wastewater assets of Egg Harbor City on June 1, 2023, for a cash purchase price of $22 million, $2 million of which was funded as a deposit to the seller in March 2021 in connection with the execution of the acquisition agreement. Five of these acquisitions were accounted for as business combinations and the assets acquired consisted primarily of utility plant. The preliminary purchase price allocations related to acquisitions accounted for as business combinations will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

During 2022, the Company closed on 26 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $335 million, of which $315 million was funded in 2022, including the acquisition of the City of York wastewater system assets noted below. Assets acquired from these acquisitions, principally utility plant, totaled $337 million and liabilities assumed totaled $6 million. Several of these acquisitions were accounted for as business combinations.

On May 27, 2022, the Company's Pennsylvania subsidiary acquired the public wastewater collection and treatment system assets from the York City Sewer Authority and the City of York for a purchase price of $235 million, in cash, $20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement. The system assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. The acquisition was accounted for as a business combination. The purchase price allocation consisted primarily of $231 million of utility plant and $4 million of goodwill, which is reported in the Company's Regulated Businesses segment.

The pro forma impact of the Company's acquisitions was not material to the Consolidated Statements of Operations for the years ended December 31, 2023, 2022 and 2021.

Pending Acquisitions

On April 6, 2023, the Company's Illinois subsidiary entered into an agreement to acquire the wastewater treatment plant from Granite City for an amended purchase price of $86 million. This plant provides wastewater

service for approximately 26,000 customer connections. The Company expects to close this acquisition in the first quarter of 2024.

Effective March 24, 2023, the Company's Pennsylvania subsidiary acquired the rights to buy the wastewater system assets of the Township of Towamencin, for an aggregate purchase price of $104 million, subject to adjustment as provided in the asset purchase agreement. This system provides wastewater services to approximately 6,300 customer connections in seven townships in Montgomery County, Pennsylvania. The Company expects to close this acquisition in late 2024 or early 2025, pending final regulatory approval.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the public wastewater collection and treatment system assets (the "System Assets") from the Butler Area Sewer Authority. On November 9, 2023, the PaPUC approved a settlement agreement without modification with respect to the Company's Pennsylvania subsidiary's application to acquire the System Assets from the Butler Area Sewer Authority for a purchase price of $230 million, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 15,000 customer connections. On December 14, 2023, Center Township and Summit Township filed appeals with the Pennsylvania Commonwealth Court seeking to reverse the order entered by the PaPUC approving the sale of the System Assets. On December 29, 2023, the Company's Pennsylvania subsidiary filed applications with the Commonwealth Court seeking to dismiss the appeals and requesting expedited consideration. By order dated February 1, 2024, the Commonwealth Court deferred deciding the application to dismiss the appeals and directed that the issues raised by the applications to dismiss are to be considered as part of the merits of the appeals. The order also granted expedited consideration and directed the case to be included on the next available list and established a briefing schedule. Based on the court's schedule, the Company estimates that the disposition of the appeals could occur as soon as the second quarter of 2024.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York.

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for $6 million in cash.

Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary (the "Buyer") of funds advised by Apax Partners LLP, a global private equity advisory firm, for total consideration of approximately $1.275 billion, resulting in pre-tax gain of $748 million. The consideration at closing was comprised of $480 million in cash, a secured seller promissory note payable in cash and issued by the Buyer in the principal amount of $720 million, with an interest rate of 7.00% per year, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. For the year ended December 31, 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of $20 million, which is included in Gain on sale of businesses on the Consolidated Statements of Operations. The Company recognized $50 million of interest income during the years ended December 31, 2023 and 2022, from the secured seller note.

On February 2, 2024, the secured seller note was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of the $75 million contingent cash payment payable under the

HOS sale agreement. In addition, the interest rate payable on the secured seller note has increased from 7.00% per year to 10.00% per year until maturity. The secured seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants. Certain of these covenants have been amended, including to provide for annual reductions of specified debt incurrence ratios. Furthermore, the amendment to the secured seller note eliminated the conditional right, beginning December 9, 2024, to require a repayment, without premium or penalty, of 100% of the outstanding principal amount in full in cash together with all accrued and unpaid interest and other obligations thereunder. The final maturity date of the secured seller note remains December 9, 2026. The $75 million additional principal under the secured seller note must be repaid in full, without premium or penalty, in the event a proposed acquisition of a complementary business by or on behalf of an affiliate of the Buyer is not completed by May 2, 2024. The repayment obligations of the Buyer under the seller note are secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions.

The secured seller note may not be prepaid at the Buyer's election except in certain limited circumstances before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the secured seller note in breach of this non-call provision, an event of default will occur under the secured seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary "make-whole" payment.

Note 6: Property, Plant and Equipment

Presented in the table below are the major classes of property, plant and equipment by category as of December 31:

	2023	2022	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	$ 293	$ 239		
Sources of supply	1,081	1,003	10 to 127 years	46 years
Treatment and pumping facilities	4,594	4,298	3 to 101 years	39 years
Transmission and distribution facilities	13,900	12,971	6 to 128 years	68 years
Services, meters and fire hydrants	5,696	5,162	5 to 90 years	32 years
General structures and equipment	2,512	2,289	1 to 109 years	16 years
Waste collection	1,719	1,539	5 to 113 years	57 years
Waste treatment, pumping and disposal	1,191	1,129	2 to 153 years	37 years
Construction work in progress	1,040	974		
Other plant	24	23		
Total utility plant	32,050	29,627		
Nonutility property	139	109	3 to 50 years	12 years
Total property, plant and equipment	$32,189	$29,736		

Property, plant and equipment depreciation expense amounted to $617 million, $552 million and $550 million for the years ended December 31, 2023, 2022 and 2021, respectively and was included in depreciation and amortization expense on the Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.68%, 2.60% and 2.77% for the years ended December 31, 2023, 2022 and 2021, respectively. Additionally, the Company had capital expenditures acquired on account but unpaid of $399 million and $330 million included in accrued liabilities on the Consolidated Balance Sheets as of December 31, 2023 and 2022, respectively.

In connection with the Company's capital investment in its corporate headquarters in Camden, New Jersey, the New Jersey Economic Development Authority ("NJEDA") determined that the Company was qualified to receive $161 million in tax credits over a 10-year period.

The Company is required to meet various annual requirements, including the maintenance of qualified full-time positions at the qualified business facility, in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15.

In December 2022 and March 2023, the NJEDA issued the utilization certificates for the 2019 and 2020 tax credits, respectively, to the Company in the amount of $16 million each. The Company sold these tax credits to external parties for $15 million each. The loss on the sales of the tax credits was recorded to Other income (expense) in the Consolidated Statements of Operations for the years ended December 31, 2023 and 2022. As of December 31, 2023 and 2022, the Company had assets of $32 million and $48 million, respectively, in other current assets and $90 million and $97 million, respectively, in other long-term assets on the Consolidated Balance Sheets as a result of these tax credits. In 2023, the Company reduced net realizable value of the future tax credit receivable by approximately $7 million as the Company does not expect it will be eligible for the full amount of the tax credit resulting from lower than required eligible headcount in the future. In January 2024, the NJEDA issued the utilization certificate for the 2021 tax credit to the Company in the amount of $16 million. The Company sold this tax credit to an external party for $15 million. The loss on the sale of the tax credit will be recorded to Other income (expense) in the Consolidated Statements of Operations for the year ended December 31, 2024. The Company has made the necessary annual filing for the year ended December 31, 2022, and expects to make the 2023 filing in April 2024, prior to the required filing deadline. The submitted filing is under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in 2024.

Note 7: Allowance for Uncollectible Accounts

Presented in the table below are the changes in the allowances for uncollectible accounts for the years ended December 31:

	2023	2022	2021
Balance as of January 1	$ (60)	$ (75)	$ (60)
Amounts charged to expense	(24)	(24)	(37)
Amounts written off	28	27	35
Other, net (a)	5	12	(13)
Balance as of December 31	$ (51)	$ (60)	$ (75)

(a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity. The 2021 activity also includes the portion of the allowance related to the Company's New York subsidiary, which was sold on January 1, 2022. See Note 5—Acquisitions and Divestitures for additional information.

Note 8: Goodwill

Goodwill

Presented in the table below are the changes in the carrying value of goodwill for the years ended December 31, 2023 and 2022:

	Regulated Businesses		Other		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2022	$3,466	$ (2,332)	$113	$ (108)	$3,579	$ (2,440)	$ 1,139
Goodwill from acquisitions	4	—	—	—	4	—	4
Balance as of December 31, 2022	$3,470	$ (2,332)	$113	$ (108)	$3,583	$ (2,440)	$ 1,143
Goodwill from acquisitions	—	—	—	—	—	—	—
Balance as of December 31, 2023	$3,470	$ (2,332)	$113	$ (108)	$3,583	$ (2,440)	$ 1,143

The Company completed its annual impairment testing of goodwill as of November 30, 2023, which included qualitative assessments of its Regulated Businesses and MSG reporting units. Based on these assessments, the Company determined that there were no factors present that would indicate that the fair value of these reporting units was less than their respective carrying values as of November 30, 2023.

In 2023, there were no additions or impairments to the Company's goodwill.

In 2022, the Company acquired goodwill of $4 million associated with one of its acquisitions in the Regulated Businesses segment.

Note 9: Shareholders' Equity

Common Stock Offering

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of parent company common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of parent company, and for general corporate purposes.

Dividend Reinvestment and Direct Stock Purchase Plan

Under the Company's dividend reinvestment and direct stock purchase plan (the "DRIP"), shareholders may reinvest cash common stock dividends and purchase additional shares of Company common stock, up to certain limits, through the plan administrator without paying brokerage commissions. Shares purchased by participants through the DRIP may be newly issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2023, there were approximately 4.1 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allows the Company to purchase up to 10 million shares of its outstanding common stock from time to

time over an unrestricted period of time. The Company did not repurchase shares of common stock during the years ended December 31, 2023 and 2022. As of December 31, 2023, there were 5.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2023 and 2022:

	Defined Benefit Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Gain (Loss) on Cash Flow Hedge	Gain (Loss) on Fixed-Income Securities	Accumulated Other Comprehensive Loss
Beginning balance as of January 1, 2022	$ (107)	$ 1	$ 67	$ (6)	$ —	$ (45)
Other comprehensive income (loss) before reclassification	14	—	—	5	—	19
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	—	3
Net other comprehensive income (loss)	14	—	3	5	—	22
Ending balance as of December 31, 2022	$ (93)	$ 1	$ 70	$ (1)	$ —	$ (23)
Other comprehensive income (loss) before reclassification	(3)	—	—	(8)	4	(7)
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	—	4
Net other comprehensive income (loss)	(3)	—	4	(8)	4	(3)
Ending balance as of December 31, 2023	$ (96)	$ 1	$ 74	$ (9)	$ 4	$ (26)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 15—Employee Benefits for additional information.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends and Distributions

The Company's Board of Directors authorizes the payment of dividends. The Company's ability to pay dividends on its common stock is subject to having access to sufficient sources of liquidity, net income and cash

flows of the Company's subsidiaries, the receipt of dividends and direct and indirect distributions from, and repayments of indebtedness of, the Company's subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements and other factors.

The Company's dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company's income and cash flows. When dividends on common stock are declared, they are typically paid in March, June, September and December. Historically, dividends have been paid quarterly to holders of record as of a date less than 30 days prior to the distribution date. Since the dividends on the Company's common stock are not cumulative, only declared dividends are paid.

During 2023, 2022 and 2021, the Company paid $532 million, $467 million and $428 million in cash dividends, respectively. Presented in the table below is the per share cash dividends paid for the years ended December 31:

	2023	2022	2021
December	$0.7075	$0.6550	$0.6025
September	$0.7075	$0.6550	$0.6025
June	$0.7075	$0.6550	$0.6025
March	$0.6550	$0.6025	$0.5500

On December 6, 2023, the Company's Board of Directors declared a quarterly cash dividend payment of $0.7075 per share payable on March 1, 2024, to shareholders of record as of February 8, 2024.

Under applicable law, the Company's subsidiaries may pay dividends on their capital stock or other equity only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the amount of the dividend that the subsidiary can pay. The ability of the Company's subsidiaries to pay upstream dividends, make other upstream distributions or repay indebtedness to parent company or AWCC, the Company's wholly owned financing subsidiary, as applicable, is subject to compliance with applicable corporate, tax and other laws, regulatory restrictions and financial and other contractual obligations, including, for example, (i) regulatory capital, surplus or net worth requirements, (ii) outstanding debt service obligations, (iii) requirements to make preferred and preference stock dividend payments, and (iv) other contractual agreements, covenants or obligations made or entered into by the Company and its subsidiaries.

Regulatory Restrictions on Indebtedness

The issuance of long-term debt or equity securities by the Company or long-term debt by AWCC does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. Based on the needs of the Regulated Businesses and parent company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide these borrowings to the Regulated Businesses or parent company. PUC authorization is generally required for the regulated subsidiaries to incur long-term debt. The Company's regulated subsidiaries normally obtain these required PUC authorizations on a periodic basis to cover their anticipated financing needs for a period of time, or, as necessary, in connection with a specific financing or refinancing of debt.

Note 10: Stock Based Compensation

The Company has granted stock units, stock awards and dividend equivalents to non-employee directors, officers and employees pursuant to the terms of the 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"), approved by the Company's shareholders in May 2017. Stock units under the 2017 Omnibus Plan generally vest based on (i) continued employment with the Company ("RSUs"), or (ii) continued employment with the Company where distribution of the shares is subject to the satisfaction in whole or in part

of stated performance-based goals ("PSUs"). A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2023, 6.1 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents. Dividend equivalents may be granted only on stock units or other stock-based awards. The 2017 Omnibus Plan expires in 2027.

The Company had granted stock options, stock units, including RSUs and PSUs, and dividend equivalents to non-employee directors, officers and other key employees of the Company under its 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). The 2007 Plan has been replaced by the 2017 Omnibus Plan, as defined above, and no additional awards may be granted under the 2007 Plan. However, shares may still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

The cost of services received from employees in exchange for the issuance of restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock unit awards at the date of the grant is amortized through expense over the requisite service period. All awards granted in 2023, 2022 and 2021 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. There have been no significant adjustments to the forfeiture rates during 2023, 2022 and 2021. There were no grants of stock options to employees after 2016, and there were no stock options outstanding as of December 31, 2022. Presented in the table below is the stock-based compensation expense recorded in O&M expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2023	2022	2021
RSUs and PSUs	$ 23	$ 26	$ 15
Nonqualified employee stock purchase plan	2	2	2
Stock-based compensation	25	28	17
Income tax benefit	(6)	(6)	(4)
Stock-based compensation expense, net of tax	$ 19	$ 22	$ 13

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2023, 2022 and 2021.

Subject to limitations on deductibility imposed by the Federal income tax code, the Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for stock units. For each award, throughout the requisite service period, the Company records the tax impacts related to compensation costs as deferred income tax assets. The tax deductions in excess of the deferred benefits recorded throughout the requisite service period are recorded to the Consolidated Statements of Operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Units

During 2023, 2022 and 2021, the Company granted RSUs to certain employees under the 2017 Omnibus Plan. RSUs generally vest based on continued employment with the Company over periods ranging from one to three years. The RSUs are valued at the closing price of the Company's common stock on the date of the grant and the majority vest ratably over a three-year service period. These RSUs are amortized through expense over the requisite service period using the straight-line method.

During 2023, 2022 and 2021, the Company granted stock units to non-employee directors under the 2017 Omnibus Plan. The stock units were vested in full on the date of grant; however, distribution of the shares will be

made within 30 days of the earlier of (i) 15 months after the date of the last annual meeting of shareholders, subject to any deferral election by the director, or (ii) the participant's separation from service. Because these stock units vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

Presented in the table below is RSU and director stock unit activity for the year ended December 31, 2023:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2022	51	$ 130.43
Granted	59	148.93
Vested	(42)	148.17
Forfeited	(4)	149.85
Non-vested total as of December 31, 2023	64	$ 134.61

As of December 31, 2023, $6 million of total unrecognized compensation cost related to the nonvested RSUs is expected to be recognized over the weighted average remaining life of 1.55 years. The total fair value of stock units and RSUs vested was $6 million, $6 million and $9 million for the years ended December 31, 2023, 2022 and 2021, respectively.

During 2023, 2022 and 2021, the Company granted PSUs to certain employees under the 2017 Omnibus Plan. The majority of PSUs vest ratably based on continued employment with the Company over the three-year performance period (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of one or more internal performance measures and, separately, a relative total shareholder return performance measure, over the Performance Period.

Presented in the table below is PSU activity for the year ended December 31, 2023:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2022	231	$ 142.92
Granted	173	159.42
Vested	(149)	161.25
Forfeited	(10)	146.78
Non-vested total as of December 31, 2023	245	$ 143.26

As of December 31, 2023, $9 million of total unrecognized compensation cost related to the nonvested PSUs is expected to be recognized over the weighted average remaining life of 0.84 years. The total fair value of PSUs vested was $31 million, $24 million and $22 million for the years ended December 31, 2023, 2022 and 2021, respectively.

PSUs granted with one or more internal performance measures are valued at the market value of the closing price of the Company's common stock on the date of grant. PSUs granted with a relative total shareholder return condition are valued using a Monte Carlo simulation model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. Presented in the table below are the weighted average assumptions used in the Monte Carlo simulation and the weighted average grant date fair values of PSUs granted for the years ended December 31:

	2023	2022	2021
Expected volatility	25.45%	29.69%	28.59%
Risk-free interest rate	4.31%	1.90%	0.22%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	$168.00	$99.23	$229.22

The grant date fair value of PSUs that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the "ESPP") that expires in 2027 through which employee participants (which excludes certain of the Company's executives) may use payroll deductions to acquire Company common stock at a purchase price of 85% of the fair market value of the common stock at the end of a three-month purchase period. A total of 2.0 million shares may be issued under the ESPP, and as of December 31, 2023, there were 1.5 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2023, 2022 and 2021, the Company issued approximately 87,000, 82,000 and 80,000 shares, respectively, under the ESPP.

Note 11: Long-Term Debt

The Company obtains long-term debt through AWCC primarily to fund capital expenditures of the Regulated Businesses and to lend funds to parent company to refinance debt and for other purposes. Presented in the table below are the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity	2023	2022
Long-term debt of AWCC: (a)					
Senior notes—fixed rate	2.30%-8.27%	3.85%	2024-2051	$ 10,786	$ 9,765
Private activity bonds and government funded debt—fixed rate	1.79%-3.88%	3.07%	2024-2031	188	189
Long-term debt of other American Water subsidiaries:					
Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	2.15%	2024-2051	729	749
Mortgage bonds—fixed rate	6.35%-9.19%	7.38%	2024-2039	516	534
Mandatorily redeemable preferred stock	8.47%-9.75%	8.64%	2036	3	3
Long-term debt		3.89%		12,222	11,240
Unamortized debt discount, net (b)				(11)	(11)
Unamortized debt issuance costs				(18)	(19)
Less current portion of long-term debt				(475)	(281)
Total long-term debt				$ 11,718	$ 10,929

(a) This indebtedness is considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness.

(b) Includes debt discount, net of fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds and $720 million of the private activity bonds and government funded debt held by the Company's subsidiaries were collateralized as of December 31, 2023.

Long-term debt agreements contain a number of covenants that, among other things, limit, subject to certain exceptions, AWCC from issuing debt secured by the Company's consolidated assets. Certain long-term note covenants require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization (each as defined in the relevant documents) of not more than 0.70 to 1.00. The ratio as of December 31, 2023, was 0.56 to 1.00. In addition, the Company has $830 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions, with a weighted average interest rate of 2.51%.

Presented in the table below are future sinking fund payments and debt maturities:

	Amount
2024	$ 475
2025	619
2026	1,478
2027	700
2028	868
Thereafter	8,082

Presented in the table below are the issuances of long-term debt in 2023:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	3.63%	3.63%	2026	$ 1,035
AWCC	Private activity bonds and government funded debt—fixed rate	3.70%-3.88%	3.80%	2028	86
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-3.75%	2.88%	2025-2041	143
Total issuances					$ 1,264

The Company incurred debt issuance costs of $16 million related to the above issuances.

Presented in the table below are the retirements and redemptions of long-term debt in 2023 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	6.55%	6.55%	2023	$ 14
AWCC	Private activity bonds and government funded debt—fixed rate	0.60%-2.31%	0.68%	2023-2031	87
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.20%	2023-2051	163
Other American Water subsidiaries	Mortgage bonds—fixed rate	6.76%-6.96%	6.84%	2023	18
Total retirements and redemptions					$ 282

On June 29, 2023, AWCC issued, in a private placement, $1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). AWCC received net proceeds of approximately $1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder was used for general corporate purposes. The Notes are senior unsecured obligations of AWCC and have the benefit of a support agreement from parent company, which serves as the functional equivalent of a guarantee by parent company of the obligations of AWCC under the Notes. The Notes will mature on June 15, 2026 (the "Maturity Date"), unless earlier exchanged or repurchased.

The Notes are exchangeable at an initial exchange rate of 5.8213 shares of parent company's common stock per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $171.78 per share of common stock). The initial exchange rate of the Notes is subject to adjustment as provided in the indenture pursuant to which the Notes were issued (the "Note Indenture"). Prior to the close of business on the business day immediately preceding March 15, 2026, the Notes are exchangeable at the option of the noteholders only upon the satisfaction of specified conditions and during certain periods described in the Note Indenture. On or after March 15, 2026, until the close of business on the business day immediately preceding the Maturity Date, the Notes will be exchangeable at the option of the noteholders at any time regardless of these conditions or periods. Upon any exchange of the Notes, AWCC will (1) pay cash up to the aggregate principal amount of the Notes and (2) pay or deliver (or cause to be delivered), as the case may be, cash, shares of parent company's common stock, or a combination of cash and shares of such common stock, at AWCC's election, in respect of the remainder, if any, of AWCC's exchange obligation in excess of the aggregate principal amount of the Notes being exchanged.

AWCC may not redeem the Notes prior to the Maturity Date, and no sinking fund is provided for the Notes. Subject to certain conditions, holders of the Notes will have the right to require AWCC to repurchase all or a portion of their Notes upon the occurrence of a fundamental change, as defined in the Note Indenture, at a repurchase price of 100% of their principal amount plus any accrued and unpaid interest.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations and minimizes this risk by dealing only with leading, creditworthy financial institutions having long-term credit ratings of "A" or better.

In November and December 2023, the Company entered into six treasury lock agreements, each with a term of 10 years, with notional amounts totaling $225 million, to reduce interest rate exposure on debt expected to be issued in 2024. These treasury lock agreements terminate in September 2024, and have an average fixed rate of 4.24%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

During 2022 and the first half of 2023, the Company entered into 11 treasury lock agreements, each with a term of 10 years, with notional amounts totaling $300 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In June 2023, the Company terminated the treasury lock agreements realizing a net gain of $3 million included in Other, net in the accompanying Consolidated Statements of Operations.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2023, 2022 or 2021.

Note 12: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility, and, in the future, issuances of equity. AWCC maintains an unsecured revolving credit facility which provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. On October 26, 2023, the termination date of the credit agreement with respect to AWCC's revolving credit facility was extended, as permitted by the terms of the credit agreement, from October 2027 to October 2028. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods, as to which one such extension request remains. As of December 31, 2023, AWCC had no outstanding borrowings and $75 million of outstanding letters of credit under the revolving credit facility, with $2.50 billion available to fulfill the Company's short-term liquidity needs and to issue letters of credit. The Company regularly evaluates the capital markets and closely monitors the financial condition of the financial institutions with contractual commitments in its revolving credit facility. Interest rates on advances under the facility are based on a credit spread to the Secured Overnight Financing Rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody Investors Service's and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt.

Short-term debt consists of commercial paper and credit facility borrowings totaling $180 million and $1,177 million as of December 31, 2023 and 2022, respectively, or net of discount $179 million and $1,175 million as of December 31, 2023 and 2022, respectively. The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 5.51% and 4.41%, for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2023		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$2,750
Outstanding debt	(180)	(75)	(255)
Remaining availability as of December 31, 2023	$ 2,420	$ 75	$2,495

(a) Total remaining availability of $2.50 billion as of December 31, 2023, was accessible through revolver draws.

	2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	$ 1,423	$ 72	$ 1,495

(a) Total remaining availability of $1.50 billion as of December 31, 2022, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2023 and 2022, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2023	$ 330	$ 2,495	$ 2,825
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580

Presented in the table below is the short-term borrowing activity for AWCC for the years ended December 31:

	2023	2022
Average borrowings	$ 288	$ 505
Maximum borrowings outstanding	1,570	1,177
Weighted average interest rates, as of December 31	5.51%	4.41%

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2023, was 0.56 to 1.00.

The Company does not have any material borrowings that are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under AWCC's revolving credit facility.

Note 13: General Taxes

Presented in the table below are the components of general tax expense for the years ended December 31:

	2023	2022	2021
Property and capital stock	$ 119	$ 108	$ 149
Gross receipts and franchise	134	124	121
Payroll	38	36	39
Other general	16	13	12
Total general taxes	$ 307	$ 281	$ 321

Note 14: Income Taxes

Presented in the table below are the components of income tax expense for the years ended December 31:

	2023	2022	2021
Current income taxes:			
State	$ 16	$ 26	$ 72
Federal	28	82	75
Total current income taxes	$ 44	$ 108	$ 147
Deferred income taxes:			
State	$ 44	$ 24	$ 10
Federal	165	57	221
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	208	80	230
Provision for income taxes	$ 252	$ 188	$ 377

Presented in the table below is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2023	2022	2021
Income tax at statutory rate	21.0%	21.0%	21.0%
Increases (decreases) resulting from:			
State taxes, net of federal taxes	4.0%	4.1%	3.9%
EADIT	(4.2)%	(6.5)%	(3.6)%
Tax impact due to the sale of HOS	—%	—%	1.6%
Other, net	0.3%	0.1%	0.1%
Effective tax rate	21.1%	18.7%	23.0%

Presented in the table below are the components of the net deferred tax liability as of December 31:

	2023	2022
Deferred tax assets:		
Advances and contributions	$ 478	$ 351
Tax losses and credits	17	19
Regulatory income tax assets	191	203
Pension and other postretirement benefits	75	64
Other	172	140
Total deferred tax assets	933	777
Valuation allowance	(11)	(11)
Total deferred tax assets, net of allowance	$ 922	$ 766
Deferred tax liabilities:		
Property, plant and equipment	$ 3,269	$ 2,872
Deferred pension and other postretirement benefits	84	64
Other	268	249
Total deferred tax liabilities	3,621	3,185
Total deferred tax liabilities, net of deferred tax assets	$ (2,699)	$ (2,419)

As of December 31, 2023 and 2022, the Company had state net operating loss ("NOL") carryforwards of $238 million and $240 million, respectively, a portion of which are offset by a valuation allowance as the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards expire in 2024 through 2043.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for taxable years ended December 31, 2018 and prior.

Presented in the table below are the changes in gross liability, excluding interest and penalties, for unrecognized tax benefits:

	Amount
Balance as of January 1, 2022	$ 140
Increases in current period tax positions	26
Decreases in prior period measurement of tax positions	(8)
Balance as of December 31, 2022	$ 158
Increases in current period tax positions	27
Decreases in prior period measurement of tax positions	(37)
Balance as of December 31, 2023	$ 148

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company does not anticipate material changes to its unrecognized tax benefits within the next year.

If the Company sustains all of its positions as of December 31, 2023, an unrecognized tax benefit of $9 million, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an immaterial amount of interest and penalties related to its tax positions as of December 31, 2023 and 2022.

Presented in the table below are the changes in the valuation allowance:

	Amount
Balance as of January 1, 2021	$ 19
Decreases in current period tax positions	(9)
Balance as of December 31, 2021	$ 10
Increases in current period tax positions	1
Balance as of December 31, 2022	$ 11
Increases in current period tax positions	—
Balance as of December 31, 2023	$ 11

Other Tax Matters

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to net income when determining AFSI. During 2023, the Company evaluated the potential impacts of the CAMT provision within the IRA and available guidance and determined that it did not exceed the $1 billion AFSI threshold and therefore was not subject to CAMT in 2023.

Note 15: Employee Benefits

Overview of Pension and Other Postretirement Benefits Plans

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001, except for specific eligible groups specified in the plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001, and non-union employees hired on or after January 1, 2006, are provided with a defined contribution plan that includes a 5.25% of base pay Company-funded defined contribution account. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental nonqualified pension plans that provide additional retirement benefits to certain employees.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional cash contributions and/or available prefunding balances if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006 ("PPA"). The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 3—Regulatory Matters for additional information. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

In December 2022, the Company amended the American Water Pension Plan ("AWPP"), a tax-qualified defined benefit pension plan, to restructure it as of December 31, 2022. The restructuring involved the spin-off of certain inactive participants from the existing AWPP into a separate tax-qualified defined benefit pension plan, AWPP Inactive. Benefits offered to the plan participants remain unchanged. As a result of the amendment, actuarial gains and losses associated with AWPP Inactive are amortized over the average remaining life expectancy of the inactive participants. The actuarial gains and losses associated with the AWPP will continue to be amortized over the average remaining service period for active participants. The Company remeasured the pension plan obligation and assets to reflect the amendment for each plan as of December 31, 2022.

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed funds in the form of separate accounts, commingled funds and limited partnerships, including equities and fixed income securities.

Pension Plan Assets

The investment policy guideline of the pension plan is focused on diversification, improving returns and reducing the volatility of the funded status over a long-term horizon. The investment policy guidelines of the postretirement plans focus on the appropriate strategy given the funded status of the plans. None of the Company's securities are included in pension or other postretirement benefit plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of December 31, 2023, the fair values and asset allocations of the pension plan assets include the AWPP and AWPP Inactive.

Presented in the tables below are the fair values and asset allocations of the pension plan assets as of December 31, 2023 and 2022, respectively, by asset category:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (a)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2023
Cash	$ 56	$ 56	$ —	$ —	$ —	4%
Equity securities:						
U.S. large cap	134	23	—	—	111	9%
U.S. small cap	37	37	—	—	—	3%
International	235	—	—	—	235	16%
Real estate fund	132	—	—	—	132	9%
REITs	6	—	—	—	6	—%
Fixed income securities:						
U.S. Treasury securities and government bonds	234	171	2	—	61	16%
Corporate bonds	531	—	531	—	—	38%
Mortgage-backed securities	8	—	8	—	—	1%
Municipal bonds	23	—	23	—	—	2%
Long duration bond fund	3	—	—	—	3	—%
Guarantee annuity contracts	32	—	—	32	—	2%
Total	$ 1,431	$ 287	$ 564	$ 32	$ 548	100%

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (a)	Net Asset Value as a Practical Expedient (b)	Percentage of Plan Assets as of December 31, 2022
Cash	$ 36	$ 36	$ —	$ —	$ —	3%
Equity securities:						
U.S. large cap	142	2	—	—	140	10%
U.S. small cap	79	79	—	—	—	6%
International	386	2	—	—	384	27%
Real estate fund	154	—	—	—	154	11%
REITs	6	—	—	—	6	—%
Fixed income securities:						
U.S. Treasury securities and government bonds	126	119	7	—	—	9%
Corporate bonds	418	—	418	—	—	30%
Mortgage-backed securities	8	—	8	—	—	1%
Municipal bonds	21	—	21	—	—	1%
Long duration bond fund	3	—	—	—	3	—%
Guarantee annuity contracts	34	—	—	34	—	2%
Total	$ 1,413	$ 238	$ 454	$ 34	$ 687	100%

(a) There were no material changes during the period for the fair value measurements using significant unobservable inputs (Level 3) for the years ended December 31, 2023 and 2022, respectively.

(b) The classification of certain assets previously presented as Level 1, 2 and 3 of $140 million, $273 million and $274 million, respectively, as of December 31, 2022, have been adjusted and are now presented as investments for which Net Asset Value ("NAV') is used as a practical expedient to approximate fair value in accordance with ASU 2015-07 "Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)".

The Company's 2024 target pension plan asset allocation is 37% equity securities and 63% fixed income securities. The Company's 2023 target pension plan asset allocation was 37% equity securities and 63% fixed income securities.

Other Postretirement Benefit Plan Assets

The Company's postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns.

In December 2022, the Company completed plan amendments to spin-off and merge a portion of the American Water Retiree Welfare Plan ("Retiree Welfare Plan"), with and into the Company's medical plan for active employees ("Active Medical Plan"), in order to repurpose the over-funded portion of the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust. Benefits offered to the plan participants remain unchanged. As a result of these changes, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of Active Medical Plan participants ("Active VEBA"). The transfer of these Bargained VEBA investment assets

into the Active VEBA permitted access to approximately $194 million of assets for purposes of paying active union employee medical benefits. The Company recorded the transfer of assets as a negative contribution and therefore did not record a gain or loss, as permitted by accounting guidance. See Note 18—Fair Value of Financial Information, for additional information on accounting for the assets as investments in debt and equity securities as of December 31, 2023 and 2022.

The Company engages third-party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g., fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to long duration fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process. For the Bargained VEBA trust, its asset structure is designed to meet the cash flows of the liabilities. This design reduces the plan's exposure to changes in interest rates.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary. The Retiree Welfare Plan is funded by the Bargained VEBA trust, the Non-Bargained Retiree Voluntary Employees' Beneficiary Association ("Non-Bargained VEBA") trust, the Active VEBA trust, and the American Water Life Insurance Voluntary Employees' Beneficiary Association ("Life VEBA") Trust.

Presented in the tables below are the fair values and asset allocations of the postretirement benefit plan assets as of December 31, 2023 and 2022, respectively, by asset category:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2023
Bargained VEBA:						
Cash	$ 4	$ 4	$ —	$ —	$ —	4%
Fixed income securities:						
U.S. Treasury securities and government bonds	7	7	—	—	—	7%
Corporate bonds	86	—	86	—	—	85%
Municipal bonds	4	—	4	—	—	4%
Total bargained VEBA	$ 101	$ 11	$ 90	$ —	$ —	100%
Active VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	6%
Fixed income securities:						
U.S. Treasury securities and government bonds	2	2	—	—	—	6%
Corporate bonds	26	—	26	—	—	82%
Municipal bonds	2	—	2	—	—	6%
Total Active VEBA	$ 32	$ 4	$ 28	$ —	$ —	100%
Non-bargained VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	2%
Equity securities:						
U.S. large cap	44	44	—	—	—	35%
International	30	30	—	—	—	24%
Fixed income securities:						
Municipal bonds	49	—	49	—	—	39%
Total non-bargained VEBA	$ 125	$ 76	$ 49	$ —	$ —	100%
Total	$ 258	$ 91	$ 167	$ —	$ —	100%

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2022
Bargained VEBA:						
Cash	$ 3	$ 3	$ —	$ —	$ —	2%
Fixed income securities:						
U.S. Treasury securities and government bonds	131	72	59	—	—	97%
Long duration bond fund	1	1	—	—	—	1%
Total bargained VEBA	$ 135	$ 76	$ 59	$ —	$ —	100%
Non-bargained VEBA:						
Cash	$ 1	$ 1	$ —	$ —	$ —	1%
Equity securities:						
U.S. large cap	40	40	—	—	—	34%
International	29	29	—	—	—	25%
Fixed income securities:						
Municipal bonds	47	—	47	—	—	40%
Total non-bargained VEBA	$ 117	$ 70	$ 47	$ —	$ —	100%
Life VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	100%
Fixed income securities:						
Total life VEBA	$ 2	$ 2	$ —	$ —	$ —	100%
Total	$ 254	$ 148	$ 106	$ —	$ —	100%

The Company's 2024 target postretirement benefit plan asset allocation for the Bargained VEBA and Active VEBA is 100% fixed income securities and for the Non-bargained VEBA is 60% equity securities and 40% fixed income securities. The Company's 2023 target postretirement benefit plan asset allocation for the Bargained VEBA and Life VEBA was 100% fixed income securities and for the Non-bargained VEBA was 60% equity securities and 40% fixed income securities.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities —For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Certain equity securities are valued based on quoted prices in active markets and categorized as Level 1. Other equities, such as certain U.S. large cap and international securities held in the pension plan, are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. Since NAV is not directly observable or not available on a nationally recognized securities exchange for the commingled funds and/or limited partnerships, they are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed monthly or more frequently, with 30 or less days of notice and without further restrictions.

Fixed-income securities—Certain U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. These securities are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily. Exchange-traded futures and options, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1. Other U.S. Treasury securities are invested in commingled funds that may implement their investment strategies in a variety of ways which may include direct and/or indirect investment in securities and other instruments or assets (e.g., futures and swaps) or investment in units of other commingled funds. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. Since NAV is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed daily, with no prior notice and without further restrictions.

Real estate fund—Real estate funds are an investment vehicle in the form of a limited partnership primarily focused in real estate investments and are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed quarterly, with 90 or less days of notice, subject to available cash.

REITs—REITs are invested in commingled funds primarily focused in publicly traded shares of real estate investment trusts. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. REITs are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed daily, with no prior notice and without further restrictions.

Guaranteed annuity contracts—Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3.

Benefit Obligations, Plan Assets and Funded Status

Presented in the table below is a rollforward of the changes in the benefit obligation and plan assets for the two most recent years, for all plans combined:

	Pension Benefits		Other Benefits	
	2023	2022	2023	2022
Change in benefit obligation:				
Benefit obligation as of January 1,	$ 1,578	$ 2,294	$ 255	$ 342
Service cost	17	30	2	3
Interest cost	85	64	14	10
Plan participants' contributions	—	—	3	3
Plan amendments	—	—	—	6
Actuarial loss (gain)	67	(582)	(4)	(77)
Divestiture	—	(86)	—	(4)
Settlements	(3)	—	—	—
Gross benefits paid	(118)	(142)	(24)	(28)
Federal subsidy	—	—	1	—
Other adjustments	(4)	—	—	—
Benefit obligation as of December 31,	$ 1,622	$ 1,578	$ 247	$ 255
Change in plan assets:				
Fair value of plan assets as of January 1,	$ 1,413	$ 1,991	$ 254	$ 538
Actual return on plan assets	93	(401)	22	(68)
Employer contributions	46	39	3	12
Plan participants' contributions	—	—	3	3
VEBA transfer	—	—	—	(194)
Divestiture	—	(74)	—	(9)
Settlements	(3)	—	—	—
Benefits paid	(118)	(142)	(24)	(28)
Fair value of plan assets as of December 31,	$ 1,431	$ 1,413	$ 258	$ 254
Funded value as of December 31,	$ (191)	$ (165)	$ 11	$ (1)
Amounts recognized on the balance sheet:				
Noncurrent asset	$ 73	$ 75	$ 12	$ —
Current liability	(2)	(5)	—	—
Noncurrent liability	(262)	(235)	(1)	(1)
Net amount recognized	$ (191)	$ (165)	$ 11	$ (1)

Presented in the table below are the components of accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2023	2022	2023	2022
Net actuarial loss	$ 340	$ 289	$ 30	$ 45
Prior service credit	(8)	(10)	(115)	(145)
Net amount recognized	$ 332	$ 279	$ (85)	$(100)
Regulatory assets (liabilities)	$ 300	$ 251	$ (85)	$(100)
Accumulated other comprehensive income	32	28	—	—
Total	$ 332	$ 279	$ (85)	$(100)

Presented in the tables below are the aggregate projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for pension plans with a projected obligation in excess of plan assets as of December 31, 2023 and 2022:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2023	2022
Projected benefit obligation	$ 952	$ 872
Fair value of plan assets	688	632

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2023	2022
Accumulated benefit obligation	$ 875	$ 793
Fair value of plan assets	688	632

The accumulated postretirement plan assets exceed benefit obligations for the Company's other postretirement benefit plans, except for the Northern Illinois Retiree Welfare Plan, of which the accumulated postretirement benefit obligation is inconsequential for all periods presented.

Contributions

The PPA requires that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to or greater than the minimum required contributions or the normal cost in 2024 to the qualified pension plans. Contributions may be in the form of cash contributions as well as available prefunding balances.

Presented in the table below is information about the expected cash flows for the pension and postretirement benefit plans:

	Pension Benefits	Other Benefits
2024 expected employer contributions:		
To plan trusts	$ 44	$ —
To plan participants	2	—

Estimated Future Benefit Payments

Presented in the table below are the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2024	$ 119	$ 23	$ 1
2025	122	23	1
2026	123	23	1
2027	125	23	1
2028	125	22	1
2029-2033	617	96	3

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Assumptions

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

Presented in the table below are the significant assumptions related to the pension and other postretirement benefit plans:

	Pension Benefits			Other Benefits		
	2023	2022	2021	2023	2022	2021
Weighted average assumptions used to determine December 31 benefit obligations:						
Discount rate	5.18%	5.58%	2.94%	5.22%	5.60%	2.90%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.75% in 2024 to 5.00% in 2031+	graded from 7.00% in 2023 to 5.00% in 2031+	graded from 6.00% in 2022 to 5.00% in 2026+
Weighted average assumptions used to determine net periodic cost:						
Discount rate	5.58%	2.94%	2.74%	5.60%	2.90%	2.56%
Expected return on plan assets	6.79%	6.50%	6.50%	5.00%	3.60%	3.67%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 7.00% in 2023 to 5.00% in 2031+	graded from 6.00% in 2022 to 5.00% in 2026+	graded from 6.25% in 2021 to 5.00% in 2026+

NOTE "N/A" in the table above means assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns. The Company's pension expense increases as the expected return on assets decreases. The Company used a weighted average expected return on plan assets of 6.79% to estimate its 2023 pension benefit costs, and an expected blended return based on weighted assets of 5.00% to estimate its 2023 other postretirement benefit costs.

For the years ended December 31, 2023, 2022 and 2021, the Company's mortality assumption utilized the Pri-2012 base mortality table with the MP-2021 mortality improvement scale.

Components of Net Periodic Benefit Cost

Presented in the table below are the components of net periodic benefit costs for the years ended December 31:

	2023	2022	2021
Components of net periodic pension benefit cost (credit):			
Service cost	$ 17	$ 30	$ 36
Interest cost	85	64	64
Expected return on plan assets	(94)	(122)	(126)
Amortization of prior service (credit) cost	(3)	(3)	(3)
Amortization of actuarial loss	13	21	27
Settlements	1	—	—
Net periodic pension benefit cost (credit)	$ 19	$ (10)	$ (2)
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial (gain) loss	$ 3	$ (14)	$ 1
Amortization of actuarial loss	(4)	(3)	(4)
Total recognized in other comprehensive income	(1)	(17)	(3)
Total recognized in net periodic benefit cost (credit) and other comprehensive income	$ 18	$ (27)	$ (5)
Components of net periodic other postretirement benefit (credit) cost:			
Service cost	$ 2	$ 3	$ 4
Interest cost	14	10	10
Expected return on plan assets	(12)	(19)	(21)
Amortization of prior service credit	(31)	(31)	(32)
Amortization of actuarial loss	2	—	—
Net periodic other postretirement benefit (credit) cost	$(25)	$ (37)	$ (39)

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company's 401(k) savings plan expenses totaled $14 million, $13 million and $14 million for 2023, 2022 and 2021, respectively. Additionally, the Company's 5.25% of base pay defined contribution benefit expenses totaled $17 million, $16 million and $16 million for 2023, 2022 and 2021, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 16: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to $902 million as of December 31, 2023.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Presented in the table below are the future annual commitments related to minimum quantities of purchased water having non-cancelable contracts:

	Amount
2024	$ 71
2025	70
2026	64
2027	57
2028	57
Thereafter	764

The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. See Note 4—Revenue Recognition for additional information regarding the Company's performance obligations.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2023, the Company has accrued approximately $6 million of probable loss contingencies and has estimated that the maximum amount of loss associated with reasonably possible loss contingencies associated with such actions, which can be reasonably estimated, is $3 million. For certain legal actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such legal actions, other than as described in this Note 16—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed, and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive

damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. In July 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. In August 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 2022 order, which petition was denied on June 8, 2023. On August 21, 2023, the Circuit Court set a date of September 9, 2024, for a class trial on issues relating to duty and breach of that duty. The trial will not find class-wide or punitive damages.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. Given the current stage of this proceeding, the Company cannot reasonably estimate the amount of any reasonably possible loss or a range of loss related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law. On September 21, 2023, the court upheld its prior ruling but gave the Tennessee Plaintiffs the option to file an amended class definition. On October 12, 2023, the Tennessee Plaintiffs filed an amended class definition seeking certification of a business customer-only class. On December 1, 2023, TAWC filed a memorandum in opposition to the amended class definition. On January 18, 2024, the court heard oral argument on the motions but issued no decision. The court instead requested additional briefing and a second oral argument, deadlines for which have not yet been set.

The Company and TAWC believe that TAWC has valid, meritorious defenses to the claims raised in this class action complaint. TAWC is vigorously defending itself against these allegations. Given the current stage of this proceeding, the Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of loss related to this proceeding.

Mountaineer Gas Company Main Break

During the afternoon of November 10, 2023, WVAWC was informed that an 8-inch ductile iron water main owned by WVAWC, located on the West Side of Charleston, West Virginia and originally installed in approximately 1989, experienced a leak. In the early morning hours of November 11, 2023, WVAWC crews successfully completed a repair to the water main. A precautionary boil water advisory was issued the same day to approximately 300 WVAWC customers and ultimately lifted on November 12, 2023.

On November 10, 2023, a break was reported in a low-pressure natural gas main located near the affected WVAWC water main, and an inflow of water into the natural gas main and associated delivery pipelines occurred. The natural gas main and pipelines are owned by Mountaineer Gas Company, a regulated natural gas distribution company serving over 220,000 customers in West Virginia ("Mountaineer Gas"). The resulting inflow of water into the natural gas main and related pipelines resulted in a loss of natural gas service to approximately 1,100 Mountaineer Gas customers, as well as water entering customer service lines and certain natural gas appliances owned or used by some of the affected Mountaineer Gas customers. Mountaineer Gas reported that restoration of natural gas service to all affected gas mains occurred on November 24, 2023. The timing, order and causation of both the WVAWC water main break and Mountaineer Gas's main break are currently unknown and under investigation.

To date, a total of four pending lawsuits have been filed against Mountaineer Gas and WVAWC purportedly on behalf of customers in Charleston, West Virginia related to these incidents. On November 14, 2023, a complaint captioned *Ruffin et al. v. Mountaineer Gas Company and West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of Mountaineer Gas residential and business customers and other households and businesses supplied with natural gas in Kanawha County, which lost natural gas service on November 10, 2023, as a result of these events. The complaint alleges, among other things, breach of contract by Mountaineer Gas, trespass by WVAWC, nuisance by WVAWC, violation of statutory obligations by Mountaineer Gas and WVAWC, and negligence by Mountaineer Gas and WVAWC. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for loss of use of natural gas, annoyance, inconvenience and lost profits, as well as punitive damages.

On November 15, 2023, a complaint captioned *Toliver et al. v. West Virginia-American Water Company and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all natural persons or entities who are citizens of the State of West Virginia and who are customers of WVAWC and/or Mountaineer Gas in the affected areas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass and strict liability, as well as breach of contract against Mountaineer Gas. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property damage, loss of use and enjoyment of property, annoyance and inconvenience and business losses, as well as punitive damages.

On November 16, 2023, a complaint captioned *Dodson et al. v. West Virginia American Water and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all West Virginia citizens living between Pennsylvania Avenue south of Washington Street, and Iowa Street, who are customers of Mountaineer Gas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass, statutory code violations and unfair or deceptive business practices. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property loss and damage, loss of use and enjoyment of property, mental and emotional distress, and aggravation and inconvenience, as well as punitive damages.

On January 4, 2024, a fourth complaint, captioned *Thomas v. West Virginia-American Water Company and Mountaineer Gas Company*, was filed in West Virginia Circuit Court in Kanawha County asserting similar allegations as those included in the *Ruffin*, *Toliver* and *Dodson* lawsuits (the "first three lawsuits"), with the addition of counts alleging unjust enrichment and violations of the West Virginia Human Rights Act and the West Virginia Consumer Credit and Protection Act.

On November 17, 2023, the *Ruffin* plaintiff filed a motion to consolidate the first three lawsuits before a single judge in Kanawha County Circuit Court. That motion remains pending.

On December 5, 2023, a complaint captioned *Mountaineer Gas Company v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County seeking damages under theories of trespass, negligence and implied indemnity. The damages being sought related to the incident include, among other things, repair and response costs incurred by Mountaineer Gas and attorneys' fees and expenses incurred by Mountaineer Gas. On December 14, 2023, Mountaineer Gas filed a motion with the Supreme Court of West Virginia to transfer this case to the West Virginia Business Court. On December 29, 2023, WVAWC filed a joinder in the motion to transfer the case. WVAWC has also filed a partial motion to dismiss this lawsuit. These motions remain pending.

On December 20, 2023, Mountaineer Gas filed answers to each of the first three lawsuits, which included cross-claims against WVAWC alleging that Mountaineer Gas is without fault for the claims and damages alleged in the lawsuits and WVAWC should be required to indemnify Mountaineer Gas for any damages and for attorneys' fees and expenses incurred by Mountaineer Gas in the lawsuits. WVAWC has filed a partial motion to dismiss certain claims in the *Ruffin, Toliver, Dodson* and *Thomas* lawsuits and a motion to dismiss the cross-claims asserted against WVAWC therein by Mountaineer Gas. On January 30, 2024, a motion was filed with the West Virginia Supreme Court on behalf of the *Toliver* plaintiff to refer the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On February 7, 2024, WVAWC filed a motion joining in that referral request. These motions remain pending.

On December 6, 2023, WVAWC initiated a process whereby Mountaineer Gas customers could file claims with WVAWC and seek payment from WVAWC of up to $2,000 per affected household for the inconvenience arising from a loss of use of their appliances and documented out-of-pocket expenses as a result of the natural gas outage. As of January 31, 2024, a total of 412 Mountaineer Gas customers completed this claims process and were paid by WVAWC an average of approximately $1,500 each. In return, these customers were required to execute a partial release of liability in favor of WVAWC.

On November 16, 2023, the Public Service Commission of West Virginia (the "WVPSC") issued an order initiating a general investigation into both the water main break and natural gas outages occurring in this incident to determine the cause or causes thereof, as well as breaks and outages generally throughout the systems of WVAWC and Mountaineer Gas and the utility practices of both utilities. Following a series of disagreements among the parties regarding the scope of discovery, the WVPSC closed the general investigation into both utilities and ordered a separate general investigation for each utility. The WVPSC focused the two general investigations away from the cause of the events and instead on the maintenance practices of each utility during and after the main breaks. On January 29, 2024, the Consumer Advocate Division of the WVPSC filed a motion to intervene in the WVAWC general investigation. WVAWC is cooperating with its general investigation. Both general investigations remain pending.

The Company and WVAWC believe that the causes of action and other claims asserted against WVAWC in the class action complaints and the lawsuit filed by Mountaineer Gas are without merit and that WVAWC has meritorious defenses to such claims, and WVAWC is defending itself vigorously in these litigation proceedings. Given the current stage of these proceedings and the general investigation, the Company and WVAWC are currently unable to predict the outcome of any of the proceedings described above, and the Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of loss related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water

from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order," and, together with the 2009 Order, the "Orders") approving a deadline of December 31, 2021, for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the Orders.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated incurred costs, plus AFUDC, subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $241 million in aggregate costs as of December 31, 2023, related to the Water Supply Project, which includes $72 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. On December 5, 2022, the CPUC issued a final decision that authorized Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately $62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities. On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022, final decision, and on March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing, but adopting its proposed AFUDC for already incurred and future costs. This decision also provided Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings were scheduled in a Phase 2 to this CPUC proceeding to focus on updated supply and demand estimates for the Water Supply Project, and Phase 2 testimony was completed in September 2022. On October 23, 2023, a status conference was held to determine procedural steps to conclude the proceeding, and further evidentiary hearings have been scheduled for March 2024.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 final decision and its December 2022 final decision, as amended by its March 30, 2023 rehearing decision.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am's appeal of the City's denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

In October 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

In November 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. In December 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency, and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the slant wells. Cal Am is named as a real party in interest. On November 14, 2023, the court set an initial trial date of May 1, 2024. This matter remains pending.

Following the issuance of the coastal development permit, Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2023, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2024 and future years may be impacted by a number of factors, including without limitation potential recurrence of drought conditions in California and the exhaustion of water supply reserves,

and will require successful development of alternate water supply sources sufficient to meet customer demand. The Orders remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the Orders.

Proposed Acquisition of Monterey System Assets—Potential Condemnation

Local Agency Formation Commission Litigation

The water system assets of Cal Am located in Monterey, California (the "Monterey system assets") are the subject of a potential condemnation action by the MPWMD stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. In April 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. In June 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO. In December 2022, the court sustained in part, and denied in part, demurrers that had been filed by LAFCO seeking to dismiss the MPWMD's lawsuit.

On December 11, 2023, the Monterey County Superior Court issued a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey water system assets) and to reconsider the application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. As a result, the LAFCO denial has been nullified and LAFCO will be required to hold another hearing on the MPWMD's application. On February 8, 2024, and February 9, 2024, respectively, Cal Am and LAFCO each filed a notice of appeal with the California Court of Appeals regarding the Monterey County Superior Court's decision to issue the writ of mandate. Cal Am is evaluating potential additional actions to contest the writ of mandate and to seek to uphold LAFCO's denial of the MPWMD's application, including filing other challenges and/or making suitable presentations at a subsequent LAFCO rehearing.

Potential Condemnation Actions by MPWMD

Separate from the proceedings related to the MPWMD's application with LAFCO, by letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requesting access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the

MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. On April 28, 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for $448.8 million. Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets. On December 15, 2023, the MPWMD filed a lawsuit in Monterey County Superior Court seeking to condemn the Monterey system assets. While the Company cannot currently predict the outcome of this lawsuit, the Company believes that, given existing legal precedent related to similar attempts by public agencies in California to take over water systems and its other defenses, Cal Am should be able to defend itself successfully against the MPWMD's eminent domain lawsuit.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

As of December 31, 2023, $0.5 million of the aggregate Settlement amount of $126 million remains reflected in accrued liabilities, and $0.5 million in an offsetting insurance receivable remains reflected in other current assets on the Consolidated Balance Sheets pending resolution of all asserted actual or potential claims associated with this matter. The amount reflected in accrued liabilities reflects the status of the liability and the offsetting insurance receivable reflected in other current assets, each as of December 31, 2023.

Note 17: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations for the years ended December 31:

	2023	2022	2021
Numerator:			
Net income attributable to common shareholders	$ 944	$ 820	$ 1,263
Denominator:			
Weighted average common shares outstanding—Basic	193	182	182
Effect of dilutive common stock equivalents	—	—	—
Weighted average common shares outstanding—Diluted	193	182	182

The effect of dilutive common stock equivalents is related to outstanding stock options, RSUs and PSUs granted under the Company's 2007 Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Plan, as well as estimated shares to be purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2023, 2022 and 2021, because their effect would have been anti-dilutive under the treasury stock method.

The if-converted method is applied to the Notes issued in June 2023 for computing diluted EPS. For all periods presented, there was no dilution resulting from the Notes. See Note 11—Long-Term Debt for additional information relating to the Notes.

Note 18: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Secured seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the secured seller promissory note, included as part of the consideration from the sale of HOS is $720 million as of December 31, 2023 and 2022. This amount represents the principal amount owed under the secured seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the secured seller note approximated $704 million and $686 million as of December 31, 2023 and 2022, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The secured seller note is classified as Level 3 within the fair value hierarchy. On February 2, 2024, the secured seller note from the sale of HOS was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of a $75 million contingent cash payment. See Note 5—Acquisitions and Divestitures for additional information.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of December 31, 2023				
	Carrying Amount	At Fair Value			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt	12,190	9,575	1,044	757	11,376

	As of December 31, 2022				
	Carrying Amount	At Fair Value			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt (excluding finance lease obligations)	11,207	8,599	49	1,427	10,075

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

Level 3—Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Restricted funds	$ 34	$ —	$ —	$ 34
Rabbi trust investments	22	—	—	22
Deposits	8	—	—	8
Other investments				
Money market and other	26	—	—	26
Fixed-Income Securities	140	6	—	146
Total assets	230	6	—	236
Liabilities:				
Deferred compensation obligations	27	—	—	27
Mark-to-market derivative liability	—	8	—	8
Total liabilities	27	8	—	35
Total assets	$ 203	$ (2)	$ —	$ 201

	As of December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Restricted funds	$ 32	$ —	$ —	$ 32
Rabbi trust investments	21	—	—	21
Deposits	7	—	—	7
Other investments				
Money market and other	61	—	—	61
Fixed-Income Securities	147	6	—	153
Contingent cash payment from the sale of HOS	—	—	72	72
Mark-to-market derivative asset	—	1	—	1
Total assets	268	7	72	347
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	$ 244	$ 7	$ 72	$ 323

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of treasury lock agreements, classified as cash flow hedges, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments—As a result of the Retiree Welfare Plan changes discussed in Note 15—Employee Benefits, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of the Active VEBA. The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately $194 million of assets for purposes of paying active union employee medical benefits.

The investments in the Active VEBA trust primarily consist of money market funds and available-for-sale fixed income securities. The money market and other investments have original maturities of three months or less when purchased. The fair value measurement of the money market and other investments is based on observable market prices and therefore included in the recurring fair value measurements hierarchy as Level 1. The available-for-sale fixed income securities are primarily investments in U.S. Treasury securities and government bonds. The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets. Certain U.S. Treasury securities are based on prices that reflect observable market information, such as actual trade information of similar securities, and are therefore categorized as Level 2, because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. The Company includes other investments measured and recorded at fair value on the Consolidated Balance Sheets of $62 million and $67 million in other current assets, as of December 31, 2023 and 2022, respectively, and $111 million and $147 million in other long-term assets, as of December 31, 2023 and 2022, respectively. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income until realized.

The following tables summarize the unrealized positions for available-for-sale fixed income securities as of December 31, 2023 and 2022:

	As of December 31, 2023			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 143	$ 6	$ 3	$ 146

	As of December 31, 2022			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 153	$ —	$ —	$ 153

The fair value of the Company's available-for-sale fixed income securities, summarized by contractual maturities, as of December 31, 2023, is as follows:

	Amount
Other investments—Available-for-sale fixed-income securities	
Less than one year	$ 83
1 year—5 years	50
5 years—10 years	4
Greater than 10 years	9
Total	$ 146

Contingent cash payment from the sale of HOS— The Company's contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other current assets on the Consolidated Balance Sheets as of December 31, 2022. The accounting fair value measurement of the contingent cash payment was $72 million as of December 31, 2022, which was reflective of changes in the benchmark interest rate and was estimated using the probability of the outcome of receipt of the $75 million, a Level 3 input.

As of December 31, 2023, the contingent cash payment from the sale of HOS is accounted for as a receivable, as the conditions have been satisfied. The carrying amount of the receivable is included in other long-term assets on the Consolidated Balance Sheets as December 31, 2023, which approximates fair value. On February 2, 2024, the secured seller note from the sale of HOS was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of the $75 million contingent cash payment. See Note 5—Acquisitions and Divestitures for additional information.

Note 19: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one year to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 36 years, five years, and five years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant

under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $144 million and $145 million as of December 31, 2023 and 2022, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $4 million in 2024 through 2028, and $41 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating leases were $11 million, $12 million and $13 million for the years ended December 31, 2023, 2022 and 2021, respectively.

For the year ended December 31, 2023, cash paid for amounts in lease liabilities, which includes operating cash flows from operating leases, was $11 million. For the year ended December 31, 2023, ROU assets obtained in exchange for new operating lease liabilities was $11 million.

As of December 31, 2023, the weighted-average remaining lease term of the operating leases was 17 years, and the weighted-average discount rate of the operating leases was 4%.

The future maturities of lease liabilities at December 31, 2023, were $10 million in 2024, $10 million in 2025, $9 million in 2026, $8 million in 2027, $6 million in 2028 and $76 million thereafter. At December 31, 2023, imputed interest was $39 million.

Note 20: Segment Information

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment is the largest component of the Company's business and includes subsidiaries that provide water and wastewater services to customers in 14 states.

The Company also operates other businesses, primarily MSG, which provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These other businesses do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses. The Company's former HOS business, which was sold in the fourth quarter of 2021, was included in "Market-Based Businesses" in the Company's Form 10-K for the year ended December 31, 2021. As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and are shown as Other. Segment results for the year ended December 31, 2021, have been adjusted retrospectively to reflect this change.

The accounting policies of the segments are the same as those described in Note 2—Significant Accounting Policies. The Regulated Businesses segment includes intercompany costs that are allocated by Service Company and intercompany interest that is charged by AWCC, both of which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues include the sale of water from a regulated subsidiary to subsidiaries within Other, leased office space, and furniture and equipment provided by subsidiaries within Other to regulated subsidiaries. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of

HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information as of and for the years ended December 31:

	2023		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,920	$ 314	$ 4,234
Depreciation and amortization	693	11	704
Total operating expenses, net	2,421	309	2,730
Interest expense	(364)	(96)	(460)
Interest income	28	45	73
Provision for (benefit from) income taxes	259	(7)	252
Net income (loss) attributable to common shareholders	971	(27)	944
Total assets	27,480	2,818	30,298
Cash paid for capital expenditures	2,551	24	2,575

	2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,505	$ 287	$ 3,792
Depreciation and amortization	633	16	649
Total operating expenses, net	2,242	277	2,519
Interest expense	(314)	(119)	(433)
Interest income	2	50	52
Gain on sale of businesses	—	19	19
Provision for income taxes	188	—	188
Net income (loss) attributable to common shareholders	854	(34)	820
Total assets	25,038	2,749	27,787
Cash paid for capital expenditures	2,284	13	2,297

	2021		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,384	$ 546	$ 3,930
Depreciation and amortization	601	35	636
Total operating expenses, net	2,227	507	2,734
Interest expense	(290)	(113)	(403)
Interest income	1	3	4
(Loss) or gain on sale of businesses	(1)	748	747
Provision for income taxes	172	205	377
Net income attributable to common shareholders	789	474	1,263
Total assets	23,365	2,710	26,075
Cash paid for capital expenditures	1,747	17	1,764

Note 21: Unaudited Quarterly Data

Presented in the tables below are supplemental, unaudited, consolidated, quarterly financial data for each of the four quarters in the years ended December 31, 2023 and 2022, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2023			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 938	$1,097	$1,167	$1,032
Operating income	295	432	478	299
Net income attributable to common shareholders	170	280	323	171
Basic earnings per share: (a)				
Net income attributable to common shareholders	$0.91	$ 1.44	$ 1.66	$ 0.88
Diluted earnings per share:				
Net income attributable to common shareholders	0.91	1.44	1.66	0.88

(a) Amounts may not sum due to rounding.

	2022			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 842	$ 937	$1,082	$ 931
Operating income	246	327	439	261
Net income attributable to common shareholders	158	218	297	147
Basic earnings per share: (a)				
Net income attributable to common shareholders	$0.87	$1.20	$ 1.63	$0.81
Diluted earnings per share:				
Net income attributable to common shareholders	0.87	1.20	1.63	0.81

(a) Amounts may not sum due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer have concluded that, as of December 31, 2023, the Company's disclosure controls and procedures were effective at a reasonable level of assurance. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's Chief Executive Officer and its Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect its transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of its management and its directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, assessed the effectiveness of its internal control over financial reporting, as of December 31, 2023, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the Company's evaluation under the framework in *Internal Control—Integrated Framework (2013)*, its management concluded that its internal control over financial reporting was effective as of December 31, 2023.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2023, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during its last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 8, 2024, Karl F. Kurz, the Company's Board Chair, was notified by Admiral James G. Stavridis of his decision to resign as a member of the Board of Directors of the Company (the "Board"), effective as of February 12, 2024. Admiral Stavridis's notification stated that he was resigning to focus on all of his professional and personal obligations and that he did not have any disagreements with the Company on any matter relating to the Company's operations, policies or practices. Admiral Stavridis had been a director of the Company since 2018 and served as Chair of the Safety, Environmental, Technology and Operations Committee (the "SETO Committee") since 2021. At the effective time of his resignation, Admiral Stavridis also had served as a member of the Nominating/Corporate Governance Committee. The Company wishes to thank Admiral Stavridis for his many years of service to the Board.

On February 14, 2024, upon the recommendation of the Nominating/Corporate Governance Committee, the Board reduced the size of the Board from ten to nine members and appointed Board member Michael L. Marberry to replace Admiral Stavridis both as Chair of the SETO Committee and as a member of the Nominating/Corporate Governance Committee.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not set forth below or in Item 1—Business—Executive Officers of this Annual Report on Form 10-K, is incorporated by reference from the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Board of Directors and Corporate Governance" and "Proposal 1—Election of Directors."

The Company has adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on the Company's website at *https://amwater.com*. The Company intends to post on its website any amendments to the Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, under the captions entitled "Board of Directors and Corporate Governance—Board Role in Risk Oversight—Executive Development and Compensation Committee Role," "Proposal 1—Election of Directors—Director Compensation Table," "Compensation Discussion and Analysis," "Executive Compensation" (excluding the subsection "Pay Versus Performance"), "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" (with the latter report being furnished, and not filed, in this Annual Report on Form 10-K).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, under the captions entitled "Certain Beneficial Ownership Matters—Security Ownership of Management," "Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, under the caption entitled "Board of Directors and Corporate Governance—Board Review of Related Person Transactions" and "Proposal 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, under the caption entitled "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Fees Paid to Independent Registered Public Accounting Firm" and "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Pre-Approval of Services Provided by Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents have been filed as a part of this Annual Report on Form 10-K:

1. The financial statements listed in the "Index to Consolidated Financial Statements" contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).
2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.
3. Exhibits. The list of documents contained in "Exhibit Index" is provided in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company's or its subsidiaries' securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1.1#	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among American Water Works Company, Inc., Liberty Utilities (Eastern Water Holdings) Corp. and New York American Water Company, Inc., with respect to the Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
2.2#	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, American Water (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Works Company, Inc. and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 8, 2022).
4.1	Indenture, dated as of October 22, 2007, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Indenture, dated as of June 29, 2023, among American Water Capital Corp., American Water Works Company, Inc. and U.S. Bank Trust Company, National Association. (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2023).
4.4	Form of 3.625% Exchangeable Senior Note due 2026 (included in Exhibit 4.3) (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2023).
4.5	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).

Exhibit Number	Exhibit Description
4.6	Officers' Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.7	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.8	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.9	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.10	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.11	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.12	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.13	Officers' Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.14	Officers' Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.15	Officer's Certificate, dated August 9, 2018, establishing the 3.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.16	Officer's Certificate, dated August 9, 2018, establishing the 4.200% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.17	Officers' Certificate, dated May 13, 2019, establishing the 3.450% Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.18	Officers' Certificate, dated May 13, 2019, establishing the 4.150% Senior Notes due 2049 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.19	Officers' Certificate, dated April 14, 2020, establishing the 2.800% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.20	Officers' Certificate, dated April 14, 2020, establishing the 3.450% Senior Notes due 2050 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).

Exhibit Number	Exhibit Description
4.21	Officers' Certificate, dated May 14, 2021, establishing the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.22	Officers' Certificate, dated May 14, 2021, establishing the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.23	Officers' Certificate, dated May 5, 2022, establishing the 4.450% Senior Notes due 2032 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 5, 2022).
4.24	Description of American Water Works Company, Inc.'s Equity Securities (filed herewith).
10.1.1#	Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed on October 31, 2022).
10.1.2	First Amendment, dated as of June 21, 2023, to the Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, U.S. Bank National Association, and Bank of America, N.A., as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 26, 2023).
10.1.3	Extension Agreement, dated October 26, 2023, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to American Water Company Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 1, 2023).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Offer Letter for Employment, dated as of February 2, 2022, between American Water Works Company, Inc. and M. Susan Hardwick (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 16, 2022).
10.4*	Offer Letter for Employment, dated February 16, 2021, between American Water Works Company, Inc. and Cheryl Norton (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.5*	Offer Letter for Employment, dated January 21, 2022, between American Water Works Company, Inc. and James H. Gallegos (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).

Exhibit Number	Exhibit Description
10.6*	Offer Letter for Employment, dated April 27, 2022, between American Water Works Company, Inc. and John C. Griffith (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 27, 2022).
10.7*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.8*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.9.1*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of June 1, 2018 (incorporated by reference to Exhibit 10.9.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 19, 2019).
10.9.2*	Amendment No. 2019-1 to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as amended and restated, effective as of November 1, 2019 (incorporated by reference to Exhibit 4.1.2 to American Water Works Company, Inc.'s Registration Statement on Form S-8, File No. 333-235598, filed December 19. 2019).
10.10*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.11.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.11.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.12*	Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 31, 2018).
10.13.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.13.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).

Exhibit Number	Exhibit Description
10.13.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.2.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.5*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.13.6*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.13.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.14.1*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.14.2*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.3*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.14.4*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant.(incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.5*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.6*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.7*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).

Exhibit Number	Exhibit Description
10.14.8*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.9*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.10*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.11*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.12*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.14.13*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form B-1 (corrected) (incorporated by reference to Exhibit 10.14.33 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.14.14*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.15*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.16*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.17*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.14 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.18*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).

Exhibit Number	Exhibit Description
10.14.19*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-1 (as amended) (incorporated by reference to Exhibit 10.13.23 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 15, 2023).
10.14.20*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.21*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.22*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.23*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.24*	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.25*	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Restricted Stock Unit Grant (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.26*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.27*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form A-2 (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.28*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.29*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form B-2 (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).

Exhibit Number	Exhibit Description
10.14.30*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 26, 2023).
10.15*	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.16*	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.17.1#*	American Water Works Company, Inc. Pension Plan for Employees, as amended and restated effective December 31, 2022 (incorporated by reference to Exhibit 10.16 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 15, 2023).
10.17.2*	American Water Works Company, Inc. Amendment 2023-1 to the Pension Plan for Employees (as amended and restated effective December 31, 2022), dated December 20, 2023 (filed herewith).
10.17.3*	American Water Works Company, Inc. Amendment 2023-2 to the Pension Plan for Employees (as amended and restated effective December 31, 2022), dated December 29, 2023 (filed herewith).
10.18.1#	Secured Seller Note Agreement, dated December 9, 2021, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC, American Water Resources of Florida, LLC, and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
10.18.2#	Amendment No. 1 to Secured Seller Note Agreement, dated as of February 2, 2024, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC, American Water Resources of Florida, LLC, and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed February 5, 2024).
10.19	Revenue Share Agreement, dated December 9, 2021, by and among American Water Works Company, Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC and American Water Resources Holdings, LLC (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
22.1	Guaranteed Securities (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).

Exhibit Number	Exhibit Description
31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
97.1	American Water Works Company, Inc. Incentive-Based Compensation Recovery Policy, dated as of December 1, 2023 (filed herewith).
101.INS	XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

\# Certain schedules and exhibits to this agreement have been omitted as permitted by rules or regulations of the SEC. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

The Stock Purchase Agreement filed as Exhibit 2.1.1, the Membership Interest Purchase Agreement filed as Exhibit 2.2, the Secured Seller Note Agreement filed as Exhibit 10.18.1 and the Amendment to Secured Seller Note Agreement noted filed as Exhibit 10.18.2 to this Annual Report on Form 10-K have been included to provide investors and security holders with information regarding the terms of the respective agreements. The filing of these agreements is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the respective agreements (i) were made by the parties thereto only for purposes of that respective agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the respective agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the respective agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the respective agreements instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties to the respective agreements that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties to the respective agreements thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants,

conditions and other terms of the respective agreements may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The respective agreements should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 14th day of February, 2024.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 14th day of February, 2024, by the following persons in the capacities indicated.

/s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer and Director)

/s/ JEFFREY N. EDWARDS

Jeffrey N. Edwards
(Director)

/s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ MARTHA CLARK GOSS

Martha Clark Goss
(Director)

/s/ MELISSA K. WIKLE

Melissa K. Wikle
Senior Vice President, Chief Accounting Officer
(Principal Accounting Officer)

/s/ KIMBERLY J. HARRIS

Kimberly J. Harris
(Director)

/s/ LAURIE P. HAVANEC

Laurie P. Havanec
(Director)

/s/ JULIA L. JOHNSON

Julia L. Johnson
(Director)

/s/ PATRICIA L. KAMPLING

Patricia L. Kampling
(Director)

/s/ KARL F. KURZ

Karl F. Kurz
(Board Chair)

/s/ MICHAEL L. MARBERRY

Michael L. Marberry
(Director)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-263068 and 333-253484) and Form S-8 (Nos. 333-235598, 333-219682, 333-217975, 333-168543 and 333-150381) of American Water Works Company, Inc. of our report dated February 14, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 14, 2024

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, M. Susan Hardwick, certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2024

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, John C. Griffith, certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2024

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, M. Susan Hardwick, President and Chief Executive Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)
February 14, 2024

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, John C. Griffith, Executive Vice President and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

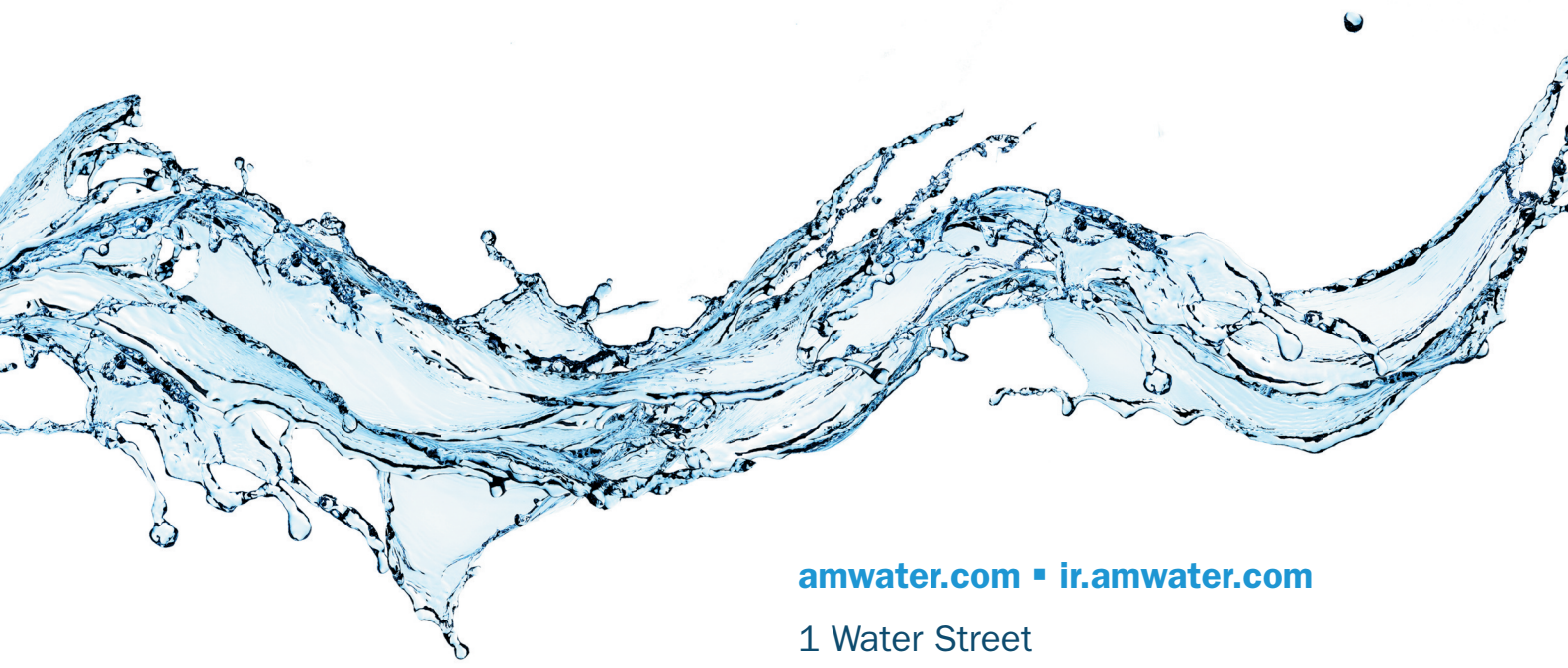
(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
February 14, 2024

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amwater.com ▪ ir.amwater.com

1 Water Street
Camden, NJ 08102-1658

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of October 23, 2023
Common Stock, par value $0.01 per share	**194,704,997**

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* * *

Throughout this Quarterly Report on Form 10-Q ("Form 10-Q"), unless the context otherwise requires, references to the "Company" and "American Water" mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the "parent company" mean American Water Works Company, Inc., without its subsidiaries.

The Company maintains a website at https://amwater.com, an Investor Relations website at https://ir.amwater.com, and a Diversity and Inclusion website at https://diversityataw.com. Information contained on the Company's websites, including its Sustainability Report, its Inclusion, Diversity and Equity Report, and other reports or documents, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company's future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company's growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company's California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company's ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company's ability to execute its current and long-term business, operational and capital expenditures strategies; the Company's ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company's stated environmental and sustainability goals, including its greenhouse gas ("GHG") emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company's actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions or other factors;
- changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain, update, redesign and/or replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;

- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company's ability to obtain permits and other approvals for projects and construction, update, redesign and/or replacement of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
  - acquiring, closing and successfully integrating regulated operations;
  - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts with the U.S. government; and
  - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS"), including:
  - the Company's ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company under the seller note when due; and
  - the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company's ability to address or mitigate the impacts thereof;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation or regulations, and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom;

- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, including without limitation potential proceedings with respect to the water system assets of the Company's California subsidiary ("Cal Am") located in Monterey, California (the "Monterey system assets"), or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and/or diverse talent;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	September 30, 2023	December 31, 2022
ASSETS		
Property, plant and equipment	$ 31,397	$ 29,736
Accumulated depreciation	(6,709)	(6,513)
Property, plant and equipment, net	24,688	23,223
Current assets:		
Cash and cash equivalents	628	85
Restricted funds	33	32
Accounts receivable, net of allowance for uncollectible accounts of $53 and $60, respectively	382	334
Income tax receivable	54	114
Unbilled revenues	318	275
Materials and supplies	111	98
Other	278	312
Total current assets	1,804	1,250
Regulatory and other long-term assets:		
Regulatory assets	1,039	990
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	86	82
Goodwill	1,143	1,143
Other	338	379
Total regulatory and other long-term assets	3,326	3,314
Total assets	$ 29,818	$ 27,787

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	September 30, 2023	December 31, 2022
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 200,119,751 and 187,200,539 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	8,541	6,824
Retained earnings	1,764	1,267
Accumulated other comprehensive loss	(22)	(23)
Treasury stock, at cost (5,414,867 and 5,342,477 shares, respectively)	(388)	(377)
Total common shareholders' equity	9,897	7,693
Long-term debt	11,698	10,926
Redeemable preferred stock at redemption value	3	3
Total long-term debt	11,701	10,929
Total capitalization	21,598	18,622
Current liabilities:		
Short-term debt	—	1,175
Current portion of long-term debt	492	281
Accounts payable	228	254
Accrued liabilities	605	706
Accrued taxes	82	49
Accrued interest	124	91
Other	212	255
Total current liabilities	1,743	2,811
Regulatory and other long-term liabilities:		
Advances for construction	340	316
Deferred income taxes and investment tax credits	2,632	2,437
Regulatory liabilities	1,478	1,590
Operating lease liabilities	74	70
Accrued pension expense	201	235
Other	213	202
Total regulatory and other long-term liabilities	4,938	4,850
Contributions in aid of construction	1,539	1,504
Commitments and contingencies (See Note 11)		
Total capitalization and liabilities	$ 29,818	$ 27,787

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations (Unaudited)
(In millions, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating revenues	$ 1,167	$ 1,082	$ 3,202	$ 2,861
Operating expenses:				
Operation and maintenance	436	416	1,248	1,156
Depreciation and amortization	177	164	523	485
General taxes	76	63	227	208
Other	—	—	(1)	—
Total operating expenses, net	689	643	1,997	1,849
Operating income	478	439	1,205	1,012
Other (expense) income:				
Interest expense	(117)	(111)	(342)	(317)
Interest income	23	14	52	39
Non-operating benefit costs, net	9	19	26	58
Other, net	14	6	37	38
Total other (expense) income	(71)	(72)	(227)	(182)
Income before income taxes	407	367	978	830
Provision for income taxes	84	70	205	157
Net income attributable to common shareholders	$ 323	$ 297	$ 773	$ 673
Basic earnings per share:				
Net income attributable to common shareholders	$ 1.66	$ 1.63	$ 4.03	$ 3.70
Diluted earnings per share:				
Net income attributable to common shareholders	$ 1.66	$ 1.63	$ 4.03	$ 3.70
Weighted-average common shares outstanding:				
Basic	195	182	192	182
Diluted	195	182	192	182

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income attributable to common shareholders	$ 323	$ 297	$ 773	$ 673
Other comprehensive income, net of tax:				
Defined benefit pension plan actuarial loss, net of tax of $0 and $1 for the three months ended September 30, 2023 and 2022, respectively and $0 and $1 for the nine months ended September 30, 2023 and 2022, respectively	1	—	1	2
Unrealized gain on cash flow hedges, net of tax of $0 for the three months ended September 30, 2023 and 2022, and $0 and $1 for the nine months ended September 30, 2023 and 2022, respectively	—	1	—	4
Unrealized (loss) gain on available-for-sale fixed-income securities, net of tax of $0 for the three months ended September 30, 2023 and 2022, and $0 for the nine months ended September 30, 2023 and 2022	(1)	—	—	—
Net other comprehensive income	—	1	1	6
Comprehensive income attributable to common shareholders	$ 323	$ 298	$ 774	$ 679

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Nine Months Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 773	$ 673
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	523	485
Deferred income taxes and amortization of investment tax credits	129	13
Provision for losses on accounts receivable	17	17
Pension and non-pension postretirement benefits	(2)	(37)
Other non-cash, net	(28)	(31)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(109)	(129)
Income tax receivable	60	(40)
Pension and non-pension postretirement benefit contributions	(34)	(40)
Accounts payable and accrued liabilities	18	(9)
Accrued taxes	37	(108)
Other assets and liabilities, net	(37)	(30)
Net cash provided by operating activities	1,347	764
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,779)	(1,597)
Acquisitions, net of cash acquired	(36)	(288)
Net proceeds from sale of assets	—	608
Removal costs from property, plant and equipment retirements, net	(113)	(85)
Net cash used in investing activities	(1,928)	(1,362)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	1,246	822
Repayments of long-term debt	(263)	(14)
Net proceeds from common stock financing	1,688	—
Net short-term repayments with maturities less than three months	(1,175)	50
Advances and contributions in aid of construction, net of refunds of $21 and $13 for the nine months ended September 30, 2023 and 2022, respectively	40	64
Debt issuance costs and make-whole premium on early debt redemption	(15)	(7)
Dividends paid	(395)	(348)
Other, net	(1)	(1)
Net cash provided by financing activities	1,125	566
Net increase (decrease) in cash, cash equivalents and restricted funds	544	(32)
Cash, cash equivalents and restricted funds at beginning of period	117	136
Cash, cash equivalents and restricted funds at end of period	$ 661	$ 104
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	$ 348	$ 347

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock					Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	
Balance as of December 31, 2022	187.4	$ 2	$ 6,824	$ 1,267	$ (23)	(5.4)	$ (377)	$ 7,693
Net income attributable to common shareholders	—	—	—	170	—	—	—	170
Common stock issuances (a)	12.7	—	1,695	—	—	—	(11)	1,684
Net other comprehensive income	—	—	—	—	—	—	—	—
Balance as of March 31, 2023	200.1	$ 2	$ 8,519	$ 1,437	$ (23)	(5.4)	$ (388)	$ 9,547
Net income attributable to common shareholders	—	—	—	280	—	—	—	280
Common stock issuances (a)	—	—	10	—	—	—	—	10
Net other comprehensive income	—	—	—	—	1	—	—	1
Dividends ($0.7075 declared per common share)	—	—	—	(137)	—	—	—	(137)
Balance as of June 30, 2023	200.1	$ 2	$ 8,529	$ 1,580	$ (22)	(5.4)	$ (388)	$ 9,701
Net income attributable to common shareholders	—	—	—	323	—	—	—	323
Common stock issuances (a)	—	—	12	—	—	—	—	12
Net other comprehensive income	—	—	—	—	—	—	—	—
Dividends ($0.7075 declared per common share)	—	—	—	(139)	—	—	—	(139)
Balance as of September 30, 2023	200.1	$ 2	$ 8,541	$ 1,764	$ (22)	(5.4)	$ (388)	$ 9,897

(a) Includes stock-based compensation, employee stock purchase plan and dividend reinvestment and direct stock purchase plan activity.

	Common Stock					Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298
Net income attributable to common shareholders	—	—	—	158	—	—	—	158
Common stock issuances (a)	0.2	—	15	—	—	—	(12)	3
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2022	187.1	$ 2	$ 6,796	$ 1,083	$ (44)	(5.3)	$ (377)	$ 7,460
Net income attributable to common shareholders	—	—	—	218	—	—	—	218
Common stock issuances (a)	—	—	8	—	—	—	—	8
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends ($0.6550 declared per common share)	—	—	—	(120)	—	—	—	(120)
Balance as of June 30, 2022	187.1	$ 2	$ 6,804	$ 1,181	$ (40)	(5.3)	$ (377)	$ 7,570
Net income attributable to common shareholders	—	—	—	297	—	—	—	297
Common stock issuances (a)	0.1	—	9	—	—	—	—	9
Net other comprehensive income	—	—	—	—	1	—	—	1
Dividends ($0.6550 declared per common share)	—	—	—	(119)	—	—	—	(119)
Balance as of September 30, 2022	187.2	$ 2	$ 6,813	$ 1,359	$ (39)	(5.3)	$ (377)	$ 7,758

(a) Includes stock-based compensation, employee stock purchase plan and dividend reinvestment and direct stock purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the "Company" or "American Water"), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q ("Form 10-Q"). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of September 30, 2023, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2022 ("Form 10-K"), which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company's operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2023:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023	Prospective	This standard did not have a material impact on the Consolidated Financial Statements
Troubled Debt Restructurings and Vintage Disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings ("TDRs") by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	This standard did not have a material impact on the Consolidated Financial Statements
Presentation and Disclosure Requirements	The guidance amends GAAP disclosure and presentation requirements for various subtopics in the Financial Accounting Standards Board Codification and was issued in response to the U.S. Securities and Exchange Commission's ("SEC") final rule published in August 2018 that updated and simplified disclosure requirements that it believed were outdated, superseded, overlapping, duplicative and redundant. The new guidance is intended to align GAAP requirements with those of the SEC for all entities.	The date on which the SEC's removal of the related disclosure requirement became effective	Prospective	This standard did not have a material impact on the Consolidated Financial Statements

Property, Plant and Equipment

The New Jersey Economic Development Authority ("NJEDA") determined that the Company was qualified to receive $161 million in tax credits in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The Company was qualified to receive the tax credits over a 10-year period commencing in 2019.

In March 2023, the NJEDA issued the utilization certificate for the 2020 tax credits to the Company in the amount of $16 million. The Company sold these tax credits to external parties in March 2023 for $15 million. As of September 30, 2023 and December 31, 2022, the Company had $32 million and $48 million, respectively, in Other current assets and $97 million in Other long-term assets on the Consolidated Balance Sheets as a result of these tax credits. The Company has made the necessary annual filing for the years ended December 31, 2021 and 2022.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding.

Presented in the table below are the changes in the allowance for uncollectible accounts for the nine months ended September 30:

	2023	2022
Balance as of January 1	$ (60)	$ (75)
Amounts charged to expense	(17)	(17)
Amounts written off	20	19
Other, net (a)	4	9
Balance as of September 30	$ (53)	$ (64)

(a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of the excess accumulated deferred income taxes ("EADIT") that are generally offset in income tax expense, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Missouri	May 28, 2023	$ 44
Virginia	April 24, 2023 (a)	11
Pennsylvania	January 28, 2023	138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 273

(a) Interim rates were effective May 1, 2022, and the difference between interim and final approved rates were subject to refund. The Virginia State Corporation Commission issued its final Order on April 24, 2023.

On June 29, 2023, the California Public Utilities Commission ("CPUC") issued a decision on the cost of capital application for the Company's California subsidiary, which authorizes a return on equity of 8.98% and a capital structure with an equity component of 57.04% for the three-year period from 2022 to 2024. The CPUC's decision is not retroactive and was effective from the date of the order through the end of 2024. The decision includes a Water Cost of Capital Mechanism (the "WCCM") that would allow the California subsidiary to increase its return on equity for the remainder of 2023 and 2024 based on capital market rates. As authorized by the WCCM, on June 30, 2023, the California subsidiary filed with the CPUC staff an advice letter to seek a 52 basis point increase to the return on equity for 2023, which was approved on July 25, 2023, increasing the return on equity to 9.50%, effective July 31, 2023. On October 16, 2023, the California subsidiary filed with the CPUC staff an advice letter to implement a 70 basis point increase to the return on equity, effective January 1, 2024, based on the triggering of the WCCM. After approval, the authorized return on equity will increase to 10.20%.

On May 3, 2023, the Missouri Public Service Commission issued an order approving the March 3, 2023, joint settlement agreement in the general rate case filed on July 1, 2022, by the Company's Missouri subsidiary. The general rate case order approved a $44 million annualized increase in water and wastewater revenues, excluding $51 million in previously approved infrastructure surcharges, and authorized implementation of the new water and wastewater rates effective May 28, 2023. The annualized revenue increase is driven primarily by significant incremental capital investments since the Missouri subsidiary's 2021 rate case order. The Missouri subsidiary's view of its rate base is $2.3 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) is 9.75% and 50.0%, respectively.

On April 24, 2023, the Virginia State Corporation Commission issued an order approving the settlement of the rate case filed on September 26, 2022, by the Company's Virginia subsidiary. The general rate case order approved an $11 million annualized increase in water and wastewater revenues. Interim rates in this proceeding were effective on May 1, 2022, and the order required that the difference between interim and the final approved rates were subject to refund within 90 days of the order issuance. The order approves the settlement terms with a return on equity of 9.7% and a common equity ratio of 40.7%. The annualized revenue increase is driven primarily by significant incremental capital investments since the Virginia subsidiary's 2020 rate case order that have been completed or were planned through April 30, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order includes recovery of the Virginia subsidiary's COVID-19 deferral balance. It also includes approval of the accounting deferral of deviations in pension and other postretirement benefits expense from those established in base rates, until the Virginia subsidiary's next base rate case.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement agreement in the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a $138 million annualized increase in water and wastewater revenues, excluding $24 million for previously approved infrastructure filings, and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Pennsylvania subsidiary's COVID-19 deferral balance. The Pennsylvania subsidiary's view of its rate base is $5.1 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) is 10.0% and 44.8%, respectively.

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues, excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $18 million, effective January 1, 2023, based on an authorized return on equity of 9.78%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On November 1, 2023, the Company's Virginia subsidiary filed a general rate case requesting $20 million in additional annualized revenues. Interim rates will be effective May 1, 2024, with the difference between interim and final approved rates subject to refund.

On June 30, 2023, the Company's Kentucky subsidiary filed a general rate case requesting $26 million in additional annualized revenues, excluding infrastructure surcharges of $10 million. An order is expected in the general rate case by the end of the first quarter of 2024.

On May 1, 2023, the Company's West Virginia subsidiary filed a general rate case requesting $45 million in additional annualized revenues, excluding previously approved infrastructure surcharges of $7 million. The general rate case includes a future test year capturing planned investment through 2025 and an order is expected to be issued by February 25, 2024. On June 30, 2023, the West Virginia subsidiary filed its annual infrastructure surcharge requesting $8 million in additional annualized revenues for planned investment through 2024. The infrastructure surcharge will be aligned with the investments recognized in the general rate case if the future test year is approved.

On March 31, 2023, the Company's Indiana subsidiary filed a general rate case requesting $87 million in additional annualized revenues, excluding $41 million of revenue from infrastructure filings already approved, which includes three step increases, with $43 million of the increase to be included in rates in January 2024, $18 million in May 2024, and $26 million in May 2025. Hearings were completed in September and an order is expected in the general rate case by the end of January 2024.

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, all as compared to 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised filing requested additional annualized revenues for the test year 2024 of $37 million, compared to 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million. In October 2023, evidentiary hearings were held, and an order is expected in the general rate case in 2024 with rates retroactive to January 1, 2024.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	(a)	$ 32
Kentucky	October 1, 2023	4
Indiana	(b)	26
Missouri	January 16, 2023	14
Pennsylvania	January 1, 2023	3
West Virginia	January 1, 2023	7
Total infrastructure surcharge authorizations		$ 86

(a) In 2023, $15 million was effective October 30, $1 million was effective June 29 and $16 million was effective April 29.

(b) In 2023, $20 million was effective March 23 and $6 million was effective March 8.

Pending Infrastructure Surcharge Filings

On September 1, 2023, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting $23 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would have become effective upon receiving an order in the current pending rate case. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which will become effective upon receiving an order in the current pending rate case.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities ("NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the Company expects a decision by the end of 2023. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Note 4: Revenue Recognition

Disaggregated Revenues

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-Q within "Other."

Presented in the table below are operating revenues disaggregated for the three months ended September 30, 2023:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 607	$ —	$ 607
Commercial	231	—	231
Fire service	40	—	40
Industrial	50	—	50
Public and other	77	—	77
Total water services	1,005	—	1,005
Wastewater services:			
Residential	58	—	58
Commercial	16	—	16
Industrial	2	—	2
Public and other	8	—	8
Total wastewater services	84	—	84
Miscellaneous utility charges	9	—	9
Alternative revenue programs	—	(5)	(5)
Lease contract revenue	—	2	2
Total Regulated Businesses	1,098	(3)	1,095
Other	72	—	72
Total operating revenues	$ 1,170	$ (3)	$ 1,167

(a) Includes revenues associated with alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* ("ASC 606"), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the three months ended September 30, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 556	$ 1	$ 557
Commercial	207	1	208
Fire service	36	—	36
Industrial	41	1	42
Public and other	82	—	82
Total water services	922	3	925
Wastewater services:			
Residential	45	1	46
Commercial	12	—	12
Industrial	1	—	1
Public and other	7	—	7
Total wastewater services	65	1	66
Miscellaneous utility charges	9	—	9
Alternative revenue programs	—	1	1
Lease contract revenue	—	2	2
Total Regulated Businesses	996	7	1,003
Other	80	(1)	79
Total operating revenues	$ 1,076	$ 6	$ 1,082

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the nine months ended September 30, 2023:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,622	$ —	$ 1,622
Commercial	600	—	600
Fire service	118	—	118
Industrial	126	—	126
Public and other	208	—	208
Total water services	2,674	—	2,674
Wastewater services:			
Residential	169	—	169
Commercial	46	—	46
Industrial	6	—	6
Public and other	21	—	21
Total wastewater services	242	—	242
Miscellaneous utility charges	26	—	26
Alternative revenue programs	—	12	12
Lease contract revenue	—	6	6
Total Regulated Businesses	2,942	18	2,960
Other	243	(1)	242
Total operating revenues	$ 3,185	$ 17	$ 3,202

(a) Includes revenues associated with alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* ("ASC 606"), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the nine months ended September 30, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,467	$ 2	$ 1,469
Commercial	534	1	535
Fire service	109	—	109
Industrial	115	1	116
Public and other	195	—	195
Total water services	2,420	4	2,424
Wastewater services:			
Residential	128	1	129
Commercial	33	—	33
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	178	1	179
Miscellaneous utility charges	27	—	27
Alternative revenue programs	—	10	10
Lease contract revenue	—	6	6
Total Regulated Businesses	2,625	21	2,646
Other	216	(1)	215
Total operating revenues	$ 2,841	$ 20	$ 2,861

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings, and cash collections. In the Company's Military Services Group ("MSG"), certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $112 million and $86 million are included in unbilled revenues on the Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022, respectively. Contract liabilities of $65 million and $91 million are included in other current liabilities on the Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022, respectively. Revenues recognized for the nine months ended September 30, 2023 and 2022, from amounts included in contract liabilities were $92 million and $94 million, respectively.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of September 30, 2023, the Company's operation and maintenance ("O&M") and capital improvement contracts in the MSG and the Contract Services Group have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2073 and have RPOs of $7.0 billion as of September 30, 2023, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of $554 million as of September 30, 2023, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures

Regulated Businesses

Closed Acquisitions

During the nine months ended September 30, 2023, the Company closed on 14 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $36 million, which added approximately 7,900 water and wastewater customers. This includes the Company's New Jersey subsidiary's acquisition of the water and wastewater assets of Egg Harbor City on June 1, 2023, for a cash purchase price of $22 million, $2 million of which was funded as a deposit to the seller in March 2021 in connection with the execution of the acquisition agreement. The Egg Harbor City acquisition was accounted for as a business combination and the assets acquired consisted primarily of $22 million of utility plant.

Pending Acquisitions

On April 6, 2023, the Company's Illinois subsidiary entered into an agreement to acquire the wastewater treatment plant from Granite City for an amended purchase price of $86 million. This plant provides wastewater service for approximately 26,000 customer connections. The Company expects to close this acquisition around year-end 2023, pending regulatory approval.

Effective March 24, 2023, the Company's Pennsylvania subsidiary acquired the rights to buy the wastewater system assets of the Township of Towamencin, for an aggregate purchase price of $104 million, subject to adjustment as provided in the asset purchase agreement. This system provides wastewater services to approximately 6,300 customer connections in seven townships in Montgomery County, Pennsylvania. The Company expects to close this acquisition in late 2024 or early 2025, pending final regulatory approval.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for an amended purchase price of $230 million in cash, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

Note 6: Shareholders' Equity

Common Stock Offering

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of parent company common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of parent company, and for general corporate purposes.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the nine months ended September 30, 2023 and 2022, respectively:

	Defined Benefit Pension Plans				
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Loss on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance as of December 31, 2022	$ (93)	$ 1	$ 70	$ (1)	$ (23)
Other comprehensive income before reclassifications	—	—	—	—	—
Amounts reclassified from accumulated other comprehensive loss	—	—	1	—	1
Net other comprehensive income	—	—	1	—	1
Balance as of September 30, 2023	$ (93)	$ 1	$ 71	$ (1)	$ (22)
Balance as of December 31, 2021	$ (107)	$ 1	$ 67	$ (6)	$ (45)
Other comprehensive income before reclassifications	—	—	—	4	4
Amounts reclassified from accumulated other comprehensive income	—	—	2	—	2
Net other comprehensive income	—	—	2	4	6
Balance as of September 30, 2022	$ (107)	$ 1	$ 69	$ (2)	$ (39)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

An unrealized gain (loss) on available-for-sale fixed-income securities is reclassified to net income upon sale of the securities as a realized gain or loss and is included in Other, net in the accompanying Consolidated Statements of Operations.

Dividends

On September 1, 2023, the Company paid a quarterly cash dividend of $0.7075 per share to shareholders of record as of August 8, 2023.

On October 31, 2023, the Company's Board of Directors declared a quarterly cash dividend payment of $0.7075 per share, payable on December 1, 2023, to shareholders of record as of November 14, 2023. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 7: Long-Term Debt

On June 29, 2023, AWCC issued $1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). AWCC received net proceeds of approximately $1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder is being used for general corporate purposes. The Notes are senior unsecured obligations of AWCC and have the benefit of a support agreement from parent company, which serves as the functional equivalent of a guarantee by parent company of the obligations of AWCC under the Notes. The Notes will mature on June 15, 2026 (the "Maturity Date"), unless earlier exchanged or repurchased.

The Notes are exchangeable at an initial exchange rate of 5.8213 shares of parent company's common stock per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $171.78 per share of common stock). The initial exchange rate of the Notes is subject to adjustment as provided in the indenture pursuant to which the Notes were issued (the "Note Indenture"). Prior to the close of business on the business day immediately preceding March 15, 2026, the Notes are exchangeable at the option of the noteholders only upon the satisfaction of specified conditions and during certain periods described in the Note Indenture. On or after March 15, 2026, until the close of business on the business day immediately preceding the Maturity Date, the Notes will be exchangeable at the option of the noteholders at any time regardless of these conditions or periods. Upon any exchange of the Notes, AWCC will (1) pay cash up to the aggregate principal amount of the Notes and (2) pay or deliver (or cause to be delivered), as the case may be, cash, shares of parent company's common stock, or a combination of cash and shares of such common stock, at AWCC's election, in respect of the remainder, if any, of AWCC's exchange obligation in excess of the aggregate principal amount of the Notes being exchanged.

AWCC may not redeem the Notes prior to the Maturity Date, and no sinking fund is provided for the Notes. Subject to certain conditions, holders of the Notes will have the right to require AWCC to repurchase all or a portion of their Notes upon the occurrence of a fundamental change, as defined in the Note Indenture, at a repurchase price of 100% of their principal amount plus any accrued and unpaid interest.

In addition to the Notes issued by AWCC as described above, during the nine months ended September 30, 2023, AWCC and the Company's regulated subsidiaries issued in the aggregate $211 million of private activity bonds and government funded debt in multiple transactions, with annual interest rates ranging from 0.00% to 3.88%, a weighted average interest rate of 3.50%, and maturity dates ranging from 2025 to 2041. During the nine months ended September 30, 2023, $125 million of the $211 million of private activity bonds and government funded debt issued by AWCC and the Company's regulated subsidiaries were collateralized. During the nine months ended September 30, 2023, AWCC and the Company's regulated subsidiaries made sinking fund payments for, or repaid at maturity, $263 million in aggregate principal amount of outstanding long-term debt, with annual interest rates ranging from 0.00% to 6.55%, a weighted average interest rate of 1.64%, and maturity dates ranging from 2023 to 2051.

During 2022 and the first half of 2023, the Company had entered into 11 treasury lock agreements, each with a term of 10 years, with notional amounts totaling $300 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In June 2023, the Company terminated the treasury lock agreements realizing a net gain of $3 million included in Other, net in the accompanying Consolidated Statements of Operations.

No ineffectiveness was recognized on hedging instruments for the three and nine months ended September 30, 2023 or 2022.

Note 8: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility, and issuances of equity. The revolving credit facility provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. On October 26, 2023, the termination date of the credit agreement with respect to AWCC's revolving credit facility was extended, as permitted by the terms of the credit agreement, from October 2027 to October 2028. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. As of September 30, 2023 and December 31, 2022, there were no borrowings under the revolving credit facility. As of September 30, 2023 and December 31, 2022, there were $75 million and $78 million, respectively, of outstanding letters of credit under the revolving credit facility.

At September 30, 2023, there was no outstanding short-term debt. In the second quarter of 2023, the net proceeds of the Notes were used to repay the short-term commercial paper obligations. See Note 7—Long-Term Debt for additional information relating to the Notes.

At December 31, 2022, short-term debt consisting of commercial paper borrowings totaled $1,177 million, or net of discount $1,175 million. The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41% and there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of September 30, 2023		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	—	(75)	(75)
Remaining availability as of September 30, 2023	$ 2,600	$ 75	$ 2,675

(a) Total remaining availability of $2.68 billion as of September 30, 2023, may be accessed through revolver draws.

	As of December 31, 2022		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	$ 1,423	$ 72	$ 1,495

(a) Total remaining availability of $1.50 billion as of December 31, 2022, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of September 30, 2023 and December 31, 2022, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of September 30, 2023	$ 628	$ 2,675	$ 3,303
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580

Note 9: Income Taxes

The Company's effective income tax rate was 20.6% and 19.1% for the three months ended September 30, 2023 and 2022, respectively, and 21.0% and 18.9% for the nine months ended September 30, 2023 and 2022, respectively. The increase in the Company's effective income tax rate for the three and nine months ended September 30, 2023, was primarily due to the decrease in the amortization of EADIT pursuant to regulatory orders. The amortization of EADIT is generally offset with a reduction in revenue.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to net income when determining AFSI. The Company evaluated the potential impacts of the CAMT provision within the IRA and believes it does not exceed the $1 billion AFSI threshold, and therefore, is not currently subject to CAMT in 2023. The Company is continuing to assess the impact of the initial guidance regarding the application of the CAMT and will continue to monitor as additional guidance is released.

Note 10: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit costs:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Components of net periodic pension benefit cost (credit):				
Service cost	$ 4	$ 8	$ 12	$ 23
Interest cost	22	16	65	48
Expected return on plan assets	(23)	(31)	(69)	(92)
Amortization of prior service credit	(1)	(1)	(3)	(3)
Amortization of actuarial loss	4	5	11	15
Net periodic pension benefit cost (credit)	$ 6	$ (3)	$ 16	$ (9)
Components of net periodic other postretirement benefit credit:				
Service cost	$ 1	$ 1	$ 2	$ 3
Interest cost	4	3	11	8
Expected return on plan assets	(3)	(5)	(9)	(15)
Amortization of prior service credit	(8)	(8)	(24)	(24)
Amortization of actuarial loss	1	—	2	—
Net periodic other postretirement benefit credit	$ (5)	$ (9)	$ (18)	$ (28)

The Company contributed $11 million and $31 million for the funding of its defined benefit pension plans for the three and nine months ended September 30, 2023, respectively, and contributed $9 million and $27 million for the funding of its defined benefit pension plans for the three and nine months ended September 30, 2022, respectively. The Company expects to make pension contributions to the plan trusts of $11 million during the remainder of 2023.

There were $3 million of contributions for the funding of the Company's other postretirement benefit plans for the three and nine months ended September 30, 2023, and there were no material contributions and $13 million of contributions for the funding of the Company's other postretirement benefit plans for the three and nine months ended September 30, 2022, respectively.

Note 11: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of September 30, 2023, the Company has accrued approximately $4 million of probable loss contingencies associated with such actions and has estimated that the maximum amount of loss associated with reasonably possible loss contingencies associated with such actions, which can be reasonably estimated, is $3 million. For certain legal actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such actions, other than as described in this Note 11—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed, and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. On August 26, 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 5, 2022 order, which petition was denied on June 8, 2023. On August 21, 2023, the Circuit Court set a date of September 9, 2024 for a class trial on issues relating to duty and breach of that duty. The trial will not find class-wide or punitive damages.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. Given the current stage of this proceeding, the Company cannot reasonably estimate the amount of any reasonably possible loss or a range of loss related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law. On September 21, 2023, the court upheld its prior ruling but gave the Tennessee Plaintiffs the option to file an amended class definition. On October 12, 2023, the Tennessee Plaintiffs filed an amended class definition seeking certification of a business customer-only class. An order denying the original proposed class and addressing the proposed amended class has not been entered by the court and remains pending.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order," and, together with the 2009 Order, the "Orders") approving a deadline of December 31, 2021, for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the Orders.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated incurred costs, plus an allowance for funds used during construction ("AFUDC"), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $233 million in aggregate costs as of September 30, 2023 related to the Water Supply Project, which includes $69 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. On December 5, 2022, the CPUC issued a final decision that authorized Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately $62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities. On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022, final decision, and on March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing, but adopting its proposed AFUDC for already incurred and future costs. This decision also provided Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings to be scheduled in a Phase 2 to this CPUC proceeding will focus on updated supply and demand estimates for the Water Supply Project.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 final decision and its December 2022 final decision, as amended by its March 30, 2023 rehearing decision.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am's appeal of the City's denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

On October 5, 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

On November 17, 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. On December 29, 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency, and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the slant wells. Cal Am is named as a real party in interest. This matter remains pending.

Following the issuance of the coastal development permit, Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2022, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2023 and future years may be impacted by a number of factors, including, without limitation, continued drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The Orders remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the Orders.

Potential Condemnation of Monterey System Assets

The water system assets of Cal Am located in Monterey, California (the "Monterey system assets") are the subject of a potential condemnation action by the MPWMD stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider.

By letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requesting access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. On April 28, 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for $448.8 million.

Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets. While the Company cannot currently predict the outcome of any such lawsuit, the Company believes that, given existing legal precedent related to similar attempts by public agencies in California to take over water systems, Cal Am should be able to defend itself successfully against an eminent domain lawsuit by the MPWMD.

On October 25, 2023, the Monterey County Superior Court issued an Intended Statement of Decision to issue a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey water system assets) and to reconsider the application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. Once the writ of mandate is issued, the LAFCO denial will be nullified and LAFCO will be required to hold another hearing on the MPWMD's application. Cal Am is evaluating potential actions relative to the writ of mandate, including filing an appeal or other challenge and/or making suitable presentations at a subsequent LAFCO rehearing.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

As of September 30, 2023, $0.5 million of the aggregate Settlement amount of $126 million remains reflected in accrued liabilities, and $0.5 million in an offsetting insurance receivable remains reflected in other current assets on the Consolidated Balance Sheets pending resolution of all asserted actual or potential claims associated with this matter. The amount reflected in accrued liabilities reflects the status of the liability and the offsetting insurance receivable reflected in other current assets, each as of September 30, 2023.

Note 12: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net income attributable to common shareholders	$ 323	$ 297	$ 773	$ 673
Denominator:				
Weighted-average common shares outstanding—Basic	195	182	192	182
Effect of dilutive common stock equivalents	—	—	—	—
Weighted-average common shares outstanding—Diluted	195	182	192	182

The effect of dilutive common stock equivalents is related to outstanding restricted stock units ("RSUs") and performance stock units ("PSUs") granted under the Company's 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company's 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three and nine months ended September 30, 2023 and 2022, because their effect would have been anti-dilutive under the treasury stock method.

The if-converted method is applied to the Notes issued in June 2023 for computing diluted EPS. For both periods presented, there was no dilution resulting from the Notes. See Note 7—Long-Term Debt for additional information relating to the Notes.

Note 13: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Seller promissory note from the sale of the Homeowner Services Group ("HOS") — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note, included as part of the consideration from the sale of HOS, is $720 million as of September 30, 2023 and December 31, 2022. This amount represents the principal amount owed under the seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the seller note approximated $693 million and $686 million as of September 30, 2023 and December 31, 2022, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The seller note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of September 30, 2023				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt	12,190	8,897	1,014	686	10,597

	As of December 31, 2022				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt (excluding finance lease obligations)	11,207	8,599	49	1,427	10,075

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of September 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 33	$ —	$ —	$ 33
Rabbi trust investments	22	—	—	22
Deposits	6	—	—	6
Other investments				
Money market and other	36	—	—	36
Fixed-Income Securities	148	6	—	154
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	245	6	72	323
Liabilities:				
Deferred compensation obligations	26	—	—	26
Total liabilities	26	—	—	26
Total assets	$ 219	$ 6	$ 72	$ 297

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 32	$ —	$ —	$ 32
Rabbi trust investments	21	—	—	21
Deposits	7	—	—	7
Other investments				
Money market and other	61	—	—	61
Fixed-Income Securities	147	6	—	153
Contingent cash payment from the sale of HOS	—	—	72	72
Mark-to-market derivative asset	—	1	—	1
Total assets	268	7	72	347
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	$ 244	$ 7	$ 72	$ 323

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of treasury lock agreements, classified as cash flow hedges, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments—The Company maintains a Voluntary Employees' Beneficiary Association trust for purposes of paying active union employee medical benefits ("Active VEBA"). The investments in the Active VEBA trust primarily consist of money market funds and available-for-sale fixed income securities.

The money market and other investments have original maturities of three months or less when purchased. The fair value measurement of the money market and other investments is based on observable market prices and therefore included in the recurring fair value measurements hierarchy as Level 1.

The available-for-sale fixed income securities are primarily investments in U.S. Treasury securities and government bonds. The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets. Certain U.S. Treasury securities are based on prices that reflect observable market information, such as actual trade information of similar securities, and are therefore categorized as Level 2, because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate.

The Company includes other investments measured and recorded at fair value on the Consolidated Balance Sheets of $72 million and $67 million in Other current assets, as of September 30, 2023 and December 31, 2022, respectively, and $119 million and $147 million in Other long-term assets, as of September 30, 2023 and December 31, 2022, respectively. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income until realized.

The following tables summarize the unrealized positions for available-for-sale fixed income securities as of September 30, 2023 and December 31, 2022:

	As of September 30, 2023			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 154	$ 6	$ 6	$ 154

	As of December 31, 2022			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 153	$ —	$ —	$ 153

The fair value of the Company's available-for-sale fixed income securities, summarized by contractual maturities, as of September 30, 2023, is as follows:

	Amount
Other investments - Available-for-sale fixed-income securities	
Less than one year	$ 100
1 year - 5 years	42
5 years - 10 years	3
Greater than 10 years	9
Total	$ 154

Contingent cash payment from the sale of HOS—The Company's contingent cash payment derivative included as part of the consideration from the sale of HOS, payable upon satisfaction of certain conditions on or before December 31, 2023, is included in other current assets on the Consolidated Balance Sheets. The accounting fair value measurement of the contingent cash payment approximated $72 million, which is reflective of changes in the benchmark interest rate and estimated using the probability of the outcome of receipt of the $75 million, a Level 3 input.

Note 14: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one year to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's right-of-use ("ROU") assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 36 years, six years, and five years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $144 million and $145 million as of September 30, 2023 and December 31, 2022, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and are excluded from the lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $1 million in 2023, $4 million in 2024 through 2027, and $45 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating leases were $2 million and $3 million for the three months ended September 30, 2023 and September 30, 2022, respectively, and $8 million and $9 million for the nine months ended September 30, 2023 and September 30, 2022, respectively.

For the three and nine months ended September 30, 2023, cash paid for amounts in lease liabilities, which includes operating cash flows from operating leases, were $3 million and $8 million, respectively. For the nine months ended September 30, 2023, there were ROU assets obtained in exchange for new operating lease liabilities of $9 million.

As of September 30, 2023, the weighted-average remaining lease term of the operating leases was 17 years, and the weighted-average discount rate of the operating leases was 4%.

The future maturities of lease liabilities as of September 30, 2023, were $3 million in 2023, $10 million in 2024, $9 million in 2025, $8 million in 2026, $8 million in 2027, and $82 million thereafter. As of September 30, 2023, imputed interest was $40 million.

Note 15: Segment Information

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment also includes inter-segment revenues, costs and interest which are eliminated to reconcile to the Consolidated Statements of Operations.

The Company also operates other businesses, primarily MSG, that do not meet the criteria of a reportable segment in accordance with GAAP and are collectively presented throughout this Form 10-Q within "Other," which is consistent with how management assesses the results of these businesses. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

On December 9, 2021, the Company sold all of the equity interests of the HOS subsidiaries, for a total consideration of approximately $1.275 billion. The consideration was comprised of $480 million in cash, a seller promissory note in the principal amount of $720 million, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 13—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. The seller promissory note from the sale of HOS, has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized $13 million of interest income from the seller note for each of the three months ended September 30, 2023 and 2022, and $38 million of interest income from the seller note for each of the nine months ended September 30, 2023 and 2022.

The Company recognized $3 million and $2 million of income during the three months ended September 30, 2023 and 2022, respectively, and $9 million and $6 million of income during the nine months ended September 30, 2023 and 2022, respectively, from the revenue share agreements from the sale of HOS, which is included in Other, net on the Consolidated Statements of Operations.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended September 30, 2023		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 1,095	$ 72	$ 1,167
Depreciation and amortization	174	3	177
Total operating expenses, net	614	75	689
Interest expense	(92)	(25)	(117)
Interest income	7	16	23
Provision for income taxes	84	—	84
Net income attributable to common shareholders	331	(8)	323
Total assets	26,987	2,831	29,818
Cash paid for capital expenditures	619	7	626

	As of or for the Three Months Ended September 30, 2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 1,003	$ 79	$ 1,082
Depreciation and amortization	161	3	164
Total operating expenses, net	574	69	643
Interest expense	(81)	(30)	(111)
Interest income	1	13	14
Provision (benefit) for income taxes	71	(1)	70
Net income (loss) attributable to common shareholders	302	(5)	297
Total assets	24,366	2,760	27,126
Cash paid for capital expenditures	598	4	602

	As of or for the Nine Months Ended September 30, 2023		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 2,960	$ 242	$ 3,202
Depreciation and amortization	515	8	523
Total operating expenses, net	1,770	227	1,997
Interest expense	(269)	(73)	(342)
Interest income	14	38	52
Provision for income taxes	203	2	205
Net income (loss) attributable to common shareholders	783	(10)	773
Total assets	26,987	2,831	29,818
Cash paid for capital expenditures	1,765	14	1,779

	As of or for the Nine Months Ended September 30, 2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 2,646	$ 215	$ 2,861
Depreciation and amortization	473	12	485
Total operating expenses, net	1,658	191	1,849
Interest expense	(227)	(90)	(317)
Interest income	1	38	39
Provision for income taxes	154	3	157
Net income (loss) attributable to common shareholders	681	(8)	673
Total assets	24,366	2,760	27,126
Cash paid for capital expenditures	1,588	9	1,597

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company's Form 10-K for the year ended December 31, 2022. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements" and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). The Company also operates other businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-Q within "Other." See Part I, Item 1—Business in the Company's Form 10-K for additional information.

Financial Results

For the three and nine months ended September 30, 2023, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), were $1.66 and $4.03, respectively, an increase of $0.03 and $0.33, respectively, as compared to the same periods in the prior year. These increases were primarily driven by the implementation of new rates in the Regulated Businesses for the recovery of capital and acquisition investments, offset somewhat by increased production costs, including inflationary pressures since mid-2022, and higher pension costs. Approximately 75% of the estimated impact of increased production costs, including chemicals, power and other fuel, and higher pension costs, are reflected in higher revenues in 2023 from rate cases recently completed. Results for the three and nine months ended September 30, 2023, reflect the net favorable impact of warmer, drier weather compared to normal, estimated at $0.04 and $0.11 per share, respectively. Results for the three and nine months ended September 30, 2022, reflect the net favorable impact of weather compared to normal, estimated at $0.06 per share. Results for the three and nine months ended September 30, 2023, also reflect the impact of share dilution from the equity financing of $0.12 and $0.22 per share, respectively, roughly equivalent to avoided interest expense.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. The Company plans to invest approximately $2.9 billion in these growth strategies in 2023. During the first nine months of 2023, the Company invested $1.8 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- $1.77 billion capital investment in the Regulated Businesses, the substantial majority for infrastructure improvements and replacements; and
- $36 million to fund acquisitions in the Regulated Businesses, which added approximately 7,900 customers, in addition to approximately 14,200 customers added through organic growth. This includes the Company's New Jersey subsidiary's acquisition of the water and wastewater assets of Egg Harbor City on June 1, 2023, for a cash purchase price of $22 million, $2 million of which was funded as a deposit to the seller in March 2021 in connection with the execution of the acquisition agreement.

On April 6, 2023, the Company's Illinois subsidiary entered into an agreement to acquire the wastewater treatment plant from Granite City for an amended purchase price of $86 million. This plant provides wastewater service for approximately 26,000 customer connections. The Company expects to close this acquisition around year-end 2023, pending regulatory approval.

Effective March 24, 2023, the Company's Pennsylvania subsidiary acquired the rights to buy the wastewater system assets of the Township of Towamencin, for an aggregate purchase price of $104 million, subject to adjustment as provided in the asset purchase agreement. This system provides wastewater services to approximately 6,300 customer connections in seven townships in Montgomery County, Pennsylvania. The Company expects to close this acquisition in late 2024 or early 2025, pending final regulatory approval.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for an amended purchase price of $230 million in cash, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

As of September 30, 2023, the Company had entered into 32 agreements with a total aggregate purchase price of $611 million for pending acquisitions in the Regulated Businesses, including the agreements discussed above, to add approximately 88,100 additional customers.

Other Matters

Environmental, Health and Safety, and Water Quality Regulation

On March 14, 2023, the United States Environmental Protection Agency ("EPA") announced the proposed National Primary Drinking Water Regulations ("NPDWR") for six per- and polyfluoroalkyl substances ("PFAS") including perfluorooctanoic acid ("PFOA"), perfluorooctane sulfonic acid ("PFOS"), perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid ("HFPO-DA", commonly known as "GenX Chemicals"), perfluorohexane sulfonic acid ("PFHxS"), and perfluorobutane sulfonic acid ("PFBS"). The proposed regulations would establish legally enforceable levels for PFAS in drinking water. The EPA anticipates issuing a final rule by the end of 2023 and utilities will be provided a three-year window to comply with the new regulations once finalized, although the Safe Drinking Water Act allows utilities to request an additional two years if capital improvements are required.

The Company performed an initial review of the NPDWR to assess the four parts per trillion requirements for PFAS and the application of the Hazard Index approach for PFNA, PFBS, PFHxS, and GenX Chemicals. On May 24, 2023, the Company submitted comments to the EPA outlining its position on key issues to address the proposed regulations, including its projected costs associated with PFAS treatment at the proposed limits and the potential impact to customers' bills. The Company estimates an investment of approximately $1 billion of capital expenditures to install additional treatment facilities over a three to five-year period in order to comply with the proposed regulations. Additionally, the Company estimates annual operating expenses of approximately $50 million related to testing and treatment in today's dollars. These are preliminary estimates based on the proposed rule. The actual expenses may differ from these preliminary estimates and will be dependent upon multiple factors, including the final rule and effective date, as well as the completion of a system-by-system engineering analysis.

The Company supports sound policies and compliance with the NPDWR by all water utilities, while protecting customers and communities from the costly burden of monitoring for and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable and is currently participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. The Company is monitoring ongoing litigation and settlement activity with manufacturers of PFAS in these proceedings for potential impacts to the various claims asserted by the Company, including deadlines set in the multi-district litigation of December 4, 2023, and December 11, 2023, for water utilities, including the Company, to opt out of proposed class action settlements with certain of such manufacturers. For more information on the PFAS multi-district litigation, see Part II, Item 1 —Legal Proceedings—PFAS Multi-District Litigation.

Operational Excellence

The Company's adjusted regulated operation and maintenance ("O&M") efficiency ratio was 32.6% for the twelve months ended September 30, 2023, as compared to 33.6% for the twelve months ended September 30, 2022. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below, as well as the continued focus on operating costs.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

	For the Twelve Months Ended September 30,	
(Dollars in millions)	**2023**	**2022**
Total operation and maintenance expenses	$ 1,681	$ 1,647
Less:		
Operation and maintenance expenses—Other	284	315
Total operation and maintenance expenses—Regulated Businesses	1,397	1,332
Less:		
Regulated purchased water expenses	156	153
Allocation of non-operation and maintenance expenses	23	32
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,218	$ 1,147
Total operating revenues	$ 4,133	$ 3,812
Less:		
Operating revenues—Other	315	338
Total operating revenues—Regulated Businesses	3,818	3,474
Less:		
Regulated purchased water revenues (a)	156	153
Revenue reductions from the amortization of EADIT	(75)	(92)
Adjusted operating revenues—Regulated Businesses (ii)	$ 3,737	$ 3,413
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	32.6 %	33.6 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of the EADIT that are generally offset in income tax expense, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Missouri	May 28, 2023	$ 44
Virginia	April 24, 2023 (a)	11
Pennsylvania	January 28, 2023	138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 273

(a) Interim rates were effective May 1, 2022, and the difference between interim and final approved rates were subject to refund. The Virginia State Corporation Commission issued its final Order on April 24, 2023.

On June 29, 2023, the California Public Utilities Commission ("CPUC") issued a decision on the cost of capital application for the Company's California subsidiary, which authorizes a return on equity of 8.98% and a capital structure with an equity component of 57.04% for the three-year period from 2022 to 2024. The CPUC's decision is not retroactive and was effective from the date of the order through the end of 2024. The decision includes a Water Cost of Capital Mechanism (the "WCCM") that would allow the California subsidiary to increase its return on equity for the remainder of 2023 and 2024 based on capital market rates. As authorized by the WCCM, on June 30, 2023, the California subsidiary filed with the CPUC staff an advice letter to seek a 52 basis point increase to the return on equity for 2023, which was approved on July 25, 2023, increasing the return on equity to 9.50%, effective July 31, 2023. On October 16, 2023, the California subsidiary filed with the CPUC staff an advice letter to implement a 70 basis point increase to the return on equity, effective January 1, 2024, based on the triggering of the WCCM. After approval, the authorized return on equity will increase to 10.20%.

On May 3, 2023, the Missouri Public Service Commission issued an order approving the March 3, 2023, joint settlement agreement in the general rate case filed on July 1, 2022, by the Company's Missouri subsidiary. The general rate case order approved a $44 million annualized increase in water and wastewater revenues, excluding $51 million in previously approved infrastructure surcharges, and authorized implementation of the new water and wastewater rates effective May 28, 2023. The annualized revenue increase is driven primarily by significant incremental capital investments since the Missouri subsidiary's 2021 rate case order. The Missouri subsidiary's view of its rate base is $2.3 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) is 9.75% and 50.0%, respectively.

On April 24, 2023, the Virginia State Corporation Commission issued an order approving the settlement of the rate case filed on September 26, 2022, by the Company's Virginia subsidiary. The general rate case order approved an $11 million annualized increase in water and wastewater revenues. Interim rates in this proceeding were effective on May 1, 2022, and the order required that the difference between interim and the final approved rates were subject to refund within 90 days of the order issuance. The order approves the settlement terms with a return on equity of 9.7% and a common equity ratio of 40.7%. The annualized revenue increase is driven primarily by significant incremental capital investments since the Virginia subsidiary's 2020 rate case order that have been completed or were planned through April 30, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order includes recovery of the Virginia subsidiary's COVID-19 deferral balance. It also includes approval of the accounting deferral of deviations in pension and other postretirement benefits expense from those established in base rates, until the Virginia subsidiary's next base rate case.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement agreement in the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a $138 million annualized increase in water and wastewater revenues, excluding $24 million for previously approved infrastructure filings, and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Pennsylvania subsidiary's COVID-19 deferral balance. The Pennsylvania subsidiary's view of its rate base is $5.1 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) is 10.0% and 44.8%, respectively.

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues, excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $18 million, effective January 1, 2023, based on an authorized return on equity of 9.78%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On November 1, 2023, the Company's Virginia subsidiary filed a general rate case requesting $20 million in additional annualized revenues. Interim rates will be effective May 1, 2024, with the difference between interim and final approved rates subject to refund.

On June 30, 2023, the Company's Kentucky subsidiary filed a general rate case requesting $26 million in additional annualized revenues, excluding infrastructure surcharges of $10 million. An order is expected in the general rate case by the end of the first quarter of 2024.

On May 1, 2023, the Company's West Virginia subsidiary filed a general rate case requesting $45 million in additional annualized revenues, excluding previously approved infrastructure surcharges of $7 million. The general rate case includes a future test year capturing planned investment through 2025 and an order is expected to be issued by February 25, 2024. On June 30, 2023, the West Virginia subsidiary filed its annual infrastructure surcharge requesting $8 million in additional annualized revenues for planned investment through 2024. The infrastructure surcharge will be aligned with the investments recognized in the general rate case if the future test year is approved.

On March 31, 2023, the Company's Indiana subsidiary filed a general rate case requesting $87 million in additional annualized revenues, excluding $41 million of revenue from infrastructure filings already approved, which includes three step increases, with $43 million of the increase to be included in rates in January 2024, $18 million in May 2024, and $26 million in May 2025. Hearings were completed in September and an order is expected in the general rate case by the end of January 2024.

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, all as compared to 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised filing requested additional annualized revenues for the test year 2024 of $37 million, compared to 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million. In October 2023, evidentiary hearings were held, and an order is expected in the general rate case in 2024 with rates retroactive to January 1, 2024.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	(a)	$ 32
Kentucky	October 1, 2023	4
Indiana	(b)	26
Missouri	January 16, 2023	14
Pennsylvania	January 1, 2023	3
West Virginia	January 1, 2023	7
Total infrastructure surcharge authorizations		$ 86

(a) In 2023, $15 million was effective October 30, $1 million was effective June 29 and $16 million was effective April 29.

(b) In 2023, $20 million was effective March 23 and $6 million was effective March 8.

Pending Infrastructure Surcharge Filings

On September 1, 2023, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting $23 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would have become effective upon receiving an order in the current pending rate case. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which will become effective upon receiving an order in the current pending rate case.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities ("NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the Company expects a decision by the end of 2023. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
(In millions)				
Operating revenues	$ 1,167	$ 1,082	$ 3,202	$ 2,861
Operating expenses:				
Operation and maintenance	436	416	1,248	1,156
Depreciation and amortization	177	164	523	485
General taxes	76	63	227	208
Other	—	—	(1)	—
Total operating expenses, net	689	643	1,997	1,849
Operating income	478	439	1,205	1,012
Other income (expense):				
Interest expense	(117)	(111)	(342)	(317)
Interest income	23	14	52	39
Non-operating benefit costs, net	9	19	26	58
Other, net	14	6	37	38
Total other (expense)	(71)	(72)	(227)	(182)
Income before income taxes	407	367	978	830
Provision for income taxes	84	70	205	157
Net income attributable to common shareholders	$ 323	$ 297	$ 773	$ 673

Segment Results of Operations

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates other businesses, primarily MSG, that do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Form 10-Q within "Other." Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. This presentation is consistent with how management assesses the results of these businesses.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
(In millions)				
Operating revenues	$ 1,095	$ 1,003	$ 2,960	$ 2,646
Operation and maintenance	368	355	1,043	991
Depreciation and amortization	174	161	515	473
General taxes	72	58	213	194
Other	—	—	(1)	—
Other income (expenses)	(66)	(56)	(204)	(153)
Provision for income taxes	84	71	203	154
Net income attributable to common shareholders	$ 331	$ 302	$ 783	$ 681

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
(In millions)				
Water services:				
Residential	$ 607	$ 557	$ 1,622	$ 1,469
Commercial	231	208	600	535
Fire service	40	36	118	109
Industrial	50	42	126	116
Public and other	72	83	220	205
Total water services	1,000	926	2,686	2,434
Wastewater services:				
Residential	58	46	169	129
Commercial	16	12	46	33
Industrial	2	1	6	3
Public and other	8	7	21	14
Total wastewater services	84	66	242	179
Other (a)	11	11	32	33
Total operating revenues	$ 1,095	$ 1,003	$ 2,960	$ 2,646

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
(Gallons in millions)				
Billed water services volumes:				
Residential	49,452	51,841	123,527	124,006
Commercial	23,481	24,102	59,029	58,802
Industrial	10,559	10,326	28,014	28,451
Fire service, public and other	15,760	15,504	41,042	39,708
Total billed water services volumes	99,252	101,773	251,612	250,967

For the three months ended September 30, 2023, operating revenues increased $92 million, primarily due to a $99 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states. In addition, operating revenues were $6 million higher from water and wastewater acquisitions and organic growth in existing systems. The increases were partially offset by (i) a $6 million estimated net decrease due to warmer and drier than normal weather in the third quarter of 2022, particularly in the Company's New Jersey service territory, and (ii) a $12 million decrease due to changes in customer demand.

For the nine months ended September 30, 2023, operating revenues increased $314 million, primarily due to: (i) a $276 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) a $27 million increase from water and wastewater acquisitions and organic growth in existing systems; and (iii) a $12 million estimated net increase primarily due to drier than normal weather in the second quarter of 2023.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operation and maintenance expense:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
(In millions)				
Employee-related costs	$ 127	$ 126	$ 386	$ 378
Production costs	125	114	324	291
Operating supplies and services	59	62	173	174
Maintenance materials and supplies	22	22	65	64
Customer billing and accounting	19	17	48	44
Other	16	14	47	40
Total operation and maintenance expense	$ 368	$ 355	$ 1,043	$ 991

For the three months ended September 30, 2023, operation and maintenance expense increased $13 million, primarily due to inflationary impacts from increased chemicals cost.

For the nine months ended September 30, 2023, operation and maintenance expense increased $52 million, primarily due to inflationary impacts from increased fuel, power and chemicals costs.

Depreciation and Amortization

For the three and nine months ended September 30, 2023, depreciation and amortization increased $13 million and $42 million, respectively, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

For the three and nine months ended September 30, 2023, general taxes increased $14 million and $19 million, respectively, primarily due to an increase in the New Jersey Gross Receipts Tax and incremental property taxes.

Other Income (Expenses)

For the three and nine months ended September 30, 2023, other (expenses) increased $10 million and $51 million, respectively, due to higher interest expense from the issuance of incremental long-term debt. The increases were also due to higher net periodic pension and other postretirement benefit costs in the current periods. These increases were partially offset by an increase in allowance for funds used during construction in the current periods.

Provision for Income Taxes

For the three and nine months ended September 30, 2023, the Regulated Businesses' provision for income taxes increased $13 million and $49 million, respectively. The Regulated Businesses' effective income tax rate was 20.2% and 19.0% for the three months ended September 30, 2023 and 2022, respectively, and 20.6% and 18.4% for the nine months ended September 30, 2023 and 2022, respectively. The increase was primarily due to the decrease in the amortization of EADIT pursuant to regulatory orders. The amortization of EADIT is generally offset with a reduction in revenue.

Other

Presented in the table below is information for Other:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
(In millions)				
Operating revenues	$ 72	$ 79	$ 242	$ 215
Operation and maintenance	68	61	205	165
Depreciation and amortization	3	3	8	12
Interest expense	(25)	(30)	(73)	(90)
Interest income	16	13	38	38
Provision (benefit) for income taxes	—	(1)	2	3
Net income (loss) attributable to common shareholders	(8)	(5)	(10)	(8)

Operating Revenues

For the three months ended September 30, 2023, operating revenues decreased $7 million, due to timing of capital projects in MSG and the Contract Services Group businesses.

For the nine months ended September 30, 2023, operating revenues increased $27 million, from an increase in capital projects in MSG, primarily at the United States Military Academy at West Point, New York and revenue for Naval Station Mayport. The Naval Station Mayport contract was awarded on June 30, 2022, with the performance start date for operation on March 1, 2023.

Operation and Maintenance

For the three months ended September 30, 2023, operation and maintenance expense increased $7 million, primarily due to employee related costs.

For the nine months ended September 30, 2023, operation and maintenance expense increased $40 million, primarily due to costs associated with the increased capital projects in MSG and employee related costs.

Legislative Updates

During 2023, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of November 1, 2023:

- California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and was effective on January 1, 2023.
- Indiana passed House Bill 1417, which allows for deferred accounting and subsequent recovery through rates of regulatory assets, with or without Indiana Utility Regulatory Commission (the "IURC") approval. There are several requirements: (i) the costs must be deferred as a regulatory asset, (ii) only incremental costs may be deferred, and (iii) the IURC must find the costs to be reasonable and prudent. Legislation was signed by the Governor and became effective on April 20, 2023.
- Indiana passed Senate Bill 180, which allows for consolidated revenue to support post-acquisition capital improvements in wastewater systems via a service enhancement improvement recovery mechanism. Legislation was signed by the Governor and became effective on May 1, 2023.
- Illinois passed House Bill 1105, which provides that property belonging to a public utility that provides water or sewer service may not be taken or damaged by eminent domain without prior approval from the Illinois Commerce Commission. Legislation was signed by the Governor and became effective on June 9, 2023.
- Illinois passed Senate Bill 250 (Public Act 103-0006), which contains supplemental appropriations for the previous fiscal year 2023 and appropriations for fiscal year 2024. This bill contains a $5 million appropriation to the Department of Commerce and Economic Opportunity for purposes of grants pursuant to the Water and Sewer Financial Assistance Act (Public Act 102-262), which was an initiative of the Company's Illinois subsidiary during the 102nd General Assembly. Legislation was signed by the Governor on June 7, 2023, and the appropriation became effective July 1, 2023.

- California passed Senate Bill 122, which authorizes $300 million in additional funding for the California Water and Wastewater Arrearage Payment Program, and extends the eligibility date from March 2020 to June 2021, to March 2020 to December 2022. Legislation was signed and became effective on July 10, 2023.

During 2023, the State of California enacted the following legislation that was signed into law on October 7, 2023:

- California passed Senate Bill 253, which requires any public or private company that does business in California and has over $1 billion in annual revenue to publicly disclose, beginning in 2026, scope 1, 2, and 3 greenhouse gas emissions released from their operations and supply chain.
- California passed Senate Bill 261, which requires companies doing business in California with greater than $500 million in annual revenues to prepare, beginning in 2026, biennial reports disclosing climate-related financial risk.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity ("CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law or may be negotiated or fixed by appraisers as prescribed by the law of the state or the jurisdiction of the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, Cal Am's Monterey system assets are the subject of a potential condemnation action by the Monterey Peninsula Water Management District (the "MPWMD") stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider.

By letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requesting access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. On April 28, 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for $448.8 million.

Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets. While the Company cannot currently predict the outcome of any such lawsuit, the Company believes that, given existing legal precedent related to similar attempts by public agencies in California to take over water systems, Cal Am should be able to defend itself successfully against an eminent domain lawsuit by the MPWMD. For more information on legal proceedings associated with this matter, see Item 3—Legal Proceedings in the Form 10-K and Part II, Item 1—Legal Proceedings—Proposed Acquisition of Monterey System Assets—Local Area Formation Commission Litigation in this Form 10-Q.

On October 25, 2023, the Monterey County Superior Court issued an Intended Statement of Decision to issue a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey water system assets) and to reconsider the application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. Once the writ of mandate is issued, the LAFCO denial will be nullified and LAFCO will be required to hold another hearing on the MPWMD's application. Cal Am is evaluating potential actions relative to the writ of mandate, including filing an appeal or other challenge and/or making suitable presentations at a subsequent LAFCO rehearing.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, for example, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Tax Matters

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to net income when determining AFSI. The Company evaluated the potential impacts of the CAMT provision within the IRA and believes it does not exceed the $1 billion AFSI threshold, and therefore, is not currently subject to CAMT in 2023. The Company is continuing to assess the impact of the initial guidance regarding the application of the CAMT and will continue to monitor as additional guidance is released.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company's Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, future issuances of equity, and, if and to the extent necessary, borrowings under American Water Capital Corp.'s ("AWCC") revolving credit facility.

The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity issuances, in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of a seller promissory note, plus interest, and a contingent cash payment payable upon satisfaction of certain conditions on or before December 31, 2023. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of parent company common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of AWCC, the wholly owned finance subsidiary of parent company, and for general corporate purposes.

On June 29, 2023, AWCC issued $1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). AWCC received net proceeds of approximately $1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder is being used for general corporate purposes. See Note 7—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

The Company's revolving credit facility provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support, and to provide for the issuance of up to $150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is $2.60 billion. On October 26, 2023, the termination date of the credit agreement with respect to AWCC's revolving credit facility was extended, as permitted by the terms of the credit agreement, from October 2027 to October 2028. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods, as to which one such extension request remains. As of September 30, 2023 and December 31, 2022, there were no borrowings under the revolving credit facility. As of September 30, 2023 and December 31, 2022, there were $75 million and $78 million, respectively, of outstanding letters of credit under the revolving credit facility. At September 30, 2023, there was no outstanding short-term debt. In the second quarter of 2023, the net proceeds of the Notes were used to repay the short-term commercial paper obligations. At December 31, 2022, the weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41%.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility as of September 30, 2023 and December 31, 2022, as well as the available capacity for each:

	As of September 30, 2023		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	—	(75)	(75)
Remaining availability as of September 30, 2023	$ 2,600	$ 75	$ 2,675

(a) Total remaining availability of $2.68 billion as of September 30, 2023, may be accessed through revolver draws.

	As of December 31, 2022		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	$ 1,423	$ 72	$ 1,495

(a) Total remaining availability of $1.50 billion as of December 31, 2022, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of September 30, 2023 and December 31, 2022, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of September 30, 2023	$ 628	$ 2,675	$ 3,303
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all. See Note 8—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

During 2022 and the first half of 2023, the Company had entered into 11 treasury lock agreements, each with a term of 10 years, with notional amounts totaling $300 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In June 2023, the Company terminated the treasury lock agreements realizing a net gain of $3 million included in Other, net in the accompanying Consolidated Statements of Operations.

No ineffectiveness was recognized on hedging instruments for the three and nine months ended September 30, 2023 or 2022.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

	For the Nine Months Ended September 30,	
	2023	2022
(In millions)		
Net income	$ 773	$ 673
Add (less):		
Depreciation and amortization	523	485
Deferred income taxes and amortization of investment tax credits	129	13
Other non-cash activities (a)	(13)	(51)
Changes in working capital (b)	(31)	(316)
Pension and non-pension postretirement benefit contributions	(34)	(40)
Net cash provided by operating activities	$ 1,347	$ 764

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, income tax receivable, accounts payable, accrued liabilities, accrued taxes and other current assets and liabilities, net.

For the nine months ended September 30, 2023, cash provided by operating activities increased $583 million, primarily due to changes in deferred taxes and working capital. The change in deferred taxes was driven by the settlement of the deferred tax liability related to the Company's New York regulated operations that was sold in the first quarter of 2022. The changes in working capital were driven by $280 million of estimated tax payments for taxable gains on the sales of the Company's Homeowner Services Group and its New York regulated operations in the first half of 2022.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

	For the Nine Months Ended September 30,	
	2023	2022
(In millions)		
Net capital expenditures	$ (1,779)	$ (1,597)
Acquisitions, net of cash acquired	(36)	(288)
Net proceeds from sale of assets	—	608
Other investing activities, net (a)	(113)	(85)
Net cash used in investing activities	$ (1,928)	$ (1,362)

(a) Includes removal costs from property, plant and equipment retirements.

For the nine months ended September 30, 2023, cash used in investing activities increased $566 million, primarily due to proceeds received from the sale of the Company's New York operations in the first quarter of 2022.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

	For the Nine Months Ended September 30,	
	2023	2022
(In millions)		
Proceeds from long-term debt	$ 1,246	$ 822
Repayments of long-term debt	(263)	(14)
Net proceeds from common stock financing	1,688	—
Net short-term repayments with maturities less than three months	(1,175)	50
Debt issuance costs and make-whole premium on early debt redemption	(15)	(7)
Dividends paid	(395)	(348)
Other financing activities, net (a)	39	63
Net cash provided by financing activities	$ 1,125	$ 566

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment and direct stock purchase plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the nine months ended September 30, 2023, cash provided by financing activities increased $559 million, primarily due to the common stock financing and issuance of long-term debt. This was partially offset by repayment in full of the short-term commercial paper obligations during the first half of 2023.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On September 30, 2023, the Company's ratio was 0.55 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of November 1, 2023, as issued by Moody's Investors Service on December 19, 2022, and S&P Global Ratings on February 6, 2023:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. None of the Company's borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, energy, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 6—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

The financial condition of the Company, results of operations and cash flows, as reflected in the Company's Consolidated Financial statements, are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

American Water maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2023.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of September 30, 2023, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Form 10-K in Item 3—Legal Proceedings, and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Monterey Peninsula Water Supply Project

Desalination Plant Development Permit

On September 8, 2023, the court of appeal issued its opinion reversing the trial court's determination in favor of MCWD as to the statement of overriding considerations and rejecting MCWD's appeals on all of its claims that the Monterey County Superior Court had denied. On September 25, 2023, MCWD filed a petition for rehearing in the court of appeal, which was denied on October 4, 2023.

Proposed Acquisition of Monterey System Assets — Local Area Formation Commission Litigation

Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets. If such a lawsuit is filed, Cal Am would seek dismissal or take other action to assert what it believes would be meritorious defenses against the MPWMD's claims. While the Company cannot currently predict the outcome of any such lawsuit, the Company believes that, given existing legal precedent related to similar attempts by public agencies in California to take over water systems, Cal Am should be able to defend itself successfully against an eminent domain lawsuit by the MPWMD.

On October 25, 2023, the Monterey County Superior Court issued an Intended Statement of Decision to issue a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey water system assets) and to reconsider the application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. Once the writ of mandate is issued, the LAFCO denial will be nullified and LAFCO will be required to hold another hearing on the MPWMD's application. Cal Am is evaluating potential actions relative to the writ of mandate, including filing an appeal or other challenge and/or making suitable presentations at a subsequent LAFCO rehearing.

Dunbar, West Virginia Water Main Break Class Action Litigation

On August 21, 2023, the Circuit Court set a trial date of September 9, 2024, to determine certain liability issues but not to consider class-wide or punitive damages. The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint, and WVAWC will continue to vigorously defend itself against these allegations.

Chattanooga, Tennessee Class Action Litigation

On September 21, 2023, the Circuit Court held a hearing on the Tennessee Plaintiffs' motion for reconsideration of the court's January 12, 2023, oral ruling denying their motion for class certification. The court upheld its prior ruling but gave the Tennessee Plaintiffs the option to file an amended class definition. On October 12, 2023, the Tennessee Plaintiffs filed an amended class definition seeking certification of a business customer-only class. An order denying the original proposed class and addressing the proposed amended class has not been entered by the court and remains pending.

PFAS Multi-District Litigation

Several of the Company's utility subsidiaries are parties to a multi-district litigation (the "MDL") lawsuit, which commenced on December 7, 2018, in U.S. District Court for the District of South Carolina, against manufacturers of certain PFAS for damages, contribution and reimbursement of costs incurred and continuing to be incurred to address the presence of such PFAS in public water supply systems owned and operated by these utility subsidiaries and throughout their service areas. In August 2023, a potential class action settlement involving defendants The Chemours Company, Corteva, Inc. and DuPont de Nemours, Inc. to resolve claims brought in the MDL against them by public water systems, and a similar class action settlement with defendant 3M Company, received preliminary approval from the MDL court. The Company is monitoring ongoing litigation and settlement activity with manufacturers of PFAS in this proceeding for potential impacts to the various claims asserted by the Company, including deadlines set in the MDL of December 4, 2023 and December 11, 2023 for water utilities, including the Company, to opt out of the settlements.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Item 1A—Risk Factors in the Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Item 1A—Risk Factors in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment and direct stock purchase plan and employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended September 30, 2023. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through September 30, 2023, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed December 8, 2022).
4.1	Indenture, dated as of June 29, 2023, among American Water Capital Corp., American Water Works Company, Inc. and U.S. Bank Trust Company, National Association (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed June 29, 2023).
*10.1	Extension Agreement, dated as of October 26, 2023, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent.
*31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 1st day of November, 2023.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

EXTENSION AGREEMENT

This **EXTENSION AGREEMENT** (this "Agreement"), dated as of October 26, 2023, is entered into among **AMERICAN WATER CAPITAL CORP.**, a Delaware corporation ("AWCC" or the "Borrower"), the Lenders party hereto, and Wells Fargo Bank, National Association, as administrative agent for the Lenders (the "Administrative Agent").

RECITALS

AWCC, the Lenders and the Administrative Agent are parties to that certain Third Amended and Restated Credit Agreement, dated as of October 26, 2022, as amended (the "Credit Agreement"). Capitalized terms used herein without definition shall have the meanings ascribed to such terms in the Credit Agreement.

AWCC has requested its first one-year extension of the Termination Date pursuant to Section 2.06(b) of the Credit Agreement and each Lender executing this Agreement as an "Extending Lender" (each, an "Extending Lender") has approved such request pursuant to Section 2.06(b) of the Credit Agreement.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Extension. Pursuant to Section 2.06(b) of the Credit Agreement, the Borrower requested an extension of the Termination Date for a period of one year from October 26, 2027 to October 26, 2028 (the "Extension"). As of the date hereof, the Extending Lenders constituting the Required Lenders have agreed to extend (such agreement evidenced by their execution of this Agreement) the Termination Date as to the Extending Lenders for a period of one year from October 26, 2027 to October 26, 2028. Subject to the satisfaction of the conditions in Section 3 hereof, the Termination Date as to the Extending Lenders is hereby extended to October 26, 2028. The Termination Date as to each Non-Extending Lender remains unchanged, subject to the right of the Borrower pursuant to Section 2.06(e) of the Credit Agreement to require any Non-Extending Lender to assign to one or more Eligible Assignees all of its rights and obligations under the Credit Agreement.

2. Limited Waiver. Subject to the satisfaction of the conditions set forth in Section 3 hereof, the Required Lenders hereby waive the various notice requirements contained in Section 2.06(b) of the Credit Agreement.

3. Conditions to Effectiveness. The Extension set forth in Section 1 and the limited waiver set forth in Section 2 shall become effective as of the date (the "Effective Date") on which each of the following conditions precedent shall have been satisfied:

a. The Administrative Agent shall have received counterparts of this Agreement duly executed by AWCC, the Parent (solely for purposes of acknowledging Section 4), the Administrative Agent and Extending Lenders constituting the Required Lenders.

b. AWCC shall have paid the fees and reasonable expenses required to be paid on or prior to the Effective Date under that certain fee letter, dated as of October 26, 2023, among AWCC, Wells Fargo Securities, LLC, and Wells Fargo Bank, National Association, including but not limited to an extension fee equal to 0.06% of each Extending Lender's Commitment as of the Effective Date, and all other fees and reasonable expenses of the

Administrative Agent and the Lenders required under the Credit Agreement and any other Loan Document to be paid on or prior to the Effective Date (including reasonable fees and expenses of counsel) in connection with this Agreement.

c. The Administrative Agent shall have received a certificate of a Responsible Officer of AWCC, dated as of the Effective Date, confirming satisfaction of the conditions set forth in Sections 3.02(b) and 3.02(c) of the Credit Agreement (with all references in such Sections to a Borrowing or Swingline Borrowing being deemed to be references to the Extension).

d. The Administrative Agent shall have received copies (certified to be true and complete by a Responsible Officer of the Borrower) of all governmental approvals (if any) required for each of the Borrower and the Parent in connection with the Extension.

4. Reaffirmation. The Parent hereby confirms and agrees that after giving effect to this Agreement and the Extension, the Obligations owing by the Borrower under the Credit Agreement constitute "Debt" under the Support Agreement. The Parent acknowledges that the Administrative Agent and the Extending Lenders would not enter into this Agreement in the absence of the acknowledgment and confirmation contained herein.

5. Full Force and Effect. Except as expressly modified hereby, the Credit Agreement and the Loan Documents shall continue in full force and effect in accordance with the provisions thereof on the date hereof. As used in the Credit Agreement, "hereinafter," "hereto," "hereof," and words of similar import shall, unless the context otherwise requires, mean the Credit Agreement after giving effect to this Agreement. Any reference to the Credit Agreement or any of the other Loan Documents herein or in any such documents shall refer to the Credit Agreement and Loan Documents as modified hereby. This Agreement is limited as specified and shall not constitute or be deemed to constitute an amendment, modification or waiver of any provision of the Credit Agreement or any Loan Document except as expressly set forth herein. This Agreement shall constitute a Loan Document under the terms of the Credit Agreement.

6. Severability of Provisions. Any provision in this Agreement that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction.

7. Successors and Assigns. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto.

8. Expenses. The Borrower agrees on demand (i) to pay all reasonable fees and expenses of counsel to the Administrative Agent, and (ii) to reimburse the Administrative Agent for all reasonable out-of-pocket costs and expenses, in each case, in connection with the preparation, negotiation, execution and delivery of this Agreement.

9. Applicable Law. This Agreement shall be construed in accordance with and governed by the laws of the State of New York.

10. Construction. The headings of the various sections and subsections of this Agreement have been inserted for convenience only and shall not in any way affect the meaning or construction of any of the provisions hereof.

11. Counterparts; Electronic Delivery. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same instrument. Delivery by any party to this Agreement of its signatures hereon through facsimile or other electronic image file (including .pdf) may be relied upon as if this Agreement were physically delivered with an original hand-written signature of such party and shall be binding on such party for all purposes.

[*remainder of page intentionally blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

AMERICAN WATER CAPITAL CORP.

By: /s/ David Bowler
Name: David Bowler
Title: Vice President and Treasurer

Acknowledged and agreed solely as to Section 4 of this Agreement:

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ David Bowler
Name: David Bowler
Title: Senior Vice President, Deputy Chief Financial Officer and Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, an LC Issuing Bank, a Swingline Bank and an Extending Lender

By: /s/ Whitney Shellenberg
Name: Whitney Shellenberg
Title: Vice President

JPMORGAN CHASE BANK, N.A., as an LC Issuing Bank and an Extending Lender

By: /s/ Joseph Oswin
Name: Joseph Oswin
Title: Executive Director

BANK OF AMERICA, N.A., as an Extending Lender

By: /s/ Dilcia Pena Hill
Name: Dilcia P. Hill
Title: Senior Vice President

MIZUHO BANK, LTD, as an Extending Lender

By: /s/ Edward Sacks
Name: Edward Sacks
Title: Authorized Signatory

PNC BANK, NATIONAL ASSOCIATION, as an Extending Lender

By: /s/ Meredith L. Jermann
Name: Meridith L. Jermann
Title: Vice President

ROYAL BANK OF CANADA, as an Extending Lender

By: /s/ Martina Wellik
Name: Martina Wellik
Title: Authorized Signatory

U.S. Bank National Association, as an Extending Lender

By: /s/ James O'Shaughnessy
Name: James O'Shaughnessy
Title: Senior Vice President

TD BANK, N.A., as an Extending Lender

By: /s/ Steve Levi
Name: Steve Levi
Title: Senior Vice President

TRUIST BANK, as an Extending Lender

By: /s/ Justin Lien
Name: Justin Lien
Title: Director

REGIONS BANK, as an Extending Lender

By: /s/ Daniel Capps
Name: Daniel Capps
Title: Director

THE BANK OF NOVA SCOTIA, as an Extending Lender

By: /s/ David Dewar
Name: David Dewar
Title: Director

THE HUNTINGTON NATIONAL BANK, as an Extending Lender

By: /s/ Christopher Olsen
Name: Christopher Olsen
Title: Vice President

THE BANK OF NEW YORK MELLON, as an Extending Lender

By: /s/ Molly H. Ross
Name: Molly H. Ross
Title: Senior Vice President

THE NORTHERN TRUST COMPANY, as an Extending Lender

By: /s/ Andrew D. Holtz
Name: Andrew D. Holtz
Title: Senior Vice President

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2023

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, John C. Griffith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2023

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)
November 1, 2023

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John C. Griffith, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

November 1, 2023

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of July 20, 2023
Common Stock, par value $0.01 per share	**194,668,641**

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* * *

Throughout this Quarterly Report on Form 10-Q ("Form 10-Q"), unless the context otherwise requires, references to the "Company" and "American Water" mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the "parent company" mean American Water Works Company, Inc., without its subsidiaries.

The Company maintains a website at https://amwater.com, an Investor Relations website at https://ir.amwater.com, and a Diversity and Inclusion website at https://diversityataw.com. Information contained on the Company's websites, including its Sustainability Report, its Inclusion, Diversity and Equity Report, and other reports or documents, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company's future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company's growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company's California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company's ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company's ability to execute its current and long-term business, operational and capital expenditures strategies; the Company's ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company's stated environmental and sustainability goals, including its greenhouse gas ("GHG") emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company's actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions or other factors;
- changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;

- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
  - acquiring, closing and successfully integrating regulated operations;
  - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts with the U.S. government; and
  - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS"), including:
  - the Company's ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company under the seller note when due; and
  - the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company's ability to address or mitigate the impacts thereof;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation or regulations, and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom;

- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and/or diverse talent;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	June 30, 2023	December 31, 2022
ASSETS		
Property, plant and equipment	$ 30,815	$ 29,736
Accumulated depreciation	(6,627)	(6,513)
Property, plant and equipment, net	24,188	23,223
Current assets:		
Cash and cash equivalents	794	85
Restricted funds	30	32
Accounts receivable, net of allowance for uncollectible accounts of $52 and $60, respectively	352	334
Income tax receivable	74	114
Unbilled revenues	331	275
Materials and supplies	109	98
Other	299	312
Total current assets	1,989	1,250
Regulatory and other long-term assets:		
Regulatory assets	1,020	990
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	83	82
Goodwill	1,143	1,143
Other	353	379
Total regulatory and other long-term assets	3,319	3,314
Total assets	$ 29,496	$ 27,787

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	June 30, 2023	December 31, 2022
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 200,083,363 and 187,200,539 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	8,529	6,824
Retained earnings	1,580	1,267
Accumulated other comprehensive loss	(22)	(23)
Treasury stock, at cost (5,414,838 and 5,342,477 shares, respectively)	(388)	(377)
Total common shareholders' equity	9,701	7,693
Long-term debt	11,607	10,926
Redeemable preferred stock at redemption value	2	3
Total long-term debt	11,609	10,929
Total capitalization	21,310	18,622
Current liabilities:		
Short-term debt	—	1,175
Current portion of long-term debt	579	281
Accounts payable	246	254
Accrued liabilities	575	706
Accrued taxes	65	49
Accrued interest	91	91
Other	208	255
Total current liabilities	1,764	2,811
Regulatory and other long-term liabilities:		
Advances for construction	333	316
Deferred income taxes and investment tax credits	2,549	2,437
Regulatory liabilities	1,524	1,590
Operating lease liabilities	70	70
Accrued pension expense	209	235
Other	204	202
Total regulatory and other long-term liabilities	4,889	4,850
Contributions in aid of construction	1,533	1,504
Commitments and contingencies (See Note 11)		
Total capitalization and liabilities	$ 29,496	$ 27,787

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations (Unaudited)
(In millions, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Operating revenues	$ 1,097	$ 937	$ 2,035	$ 1,779
Operating expenses:				
Operation and maintenance	419	376	812	740
Depreciation and amortization	174	163	346	321
General taxes	73	71	151	145
Other	(1)	—	(1)	—
Total operating expenses, net	665	610	1,308	1,206
Operating income	432	327	727	573
Other income (expense):				
Interest expense	(110)	(106)	(225)	(206)
Interest income	15	12	29	25
Non-operating benefit costs, net	8	20	17	39
Other, net	12	17	23	32
Total other (expense) income	(75)	(57)	(156)	(110)
Income before income taxes	357	270	571	463
Provision for income taxes	77	52	121	87
Net income attributable to common shareholders	$ 280	$ 218	$ 450	$ 376
Basic earnings per share:				
Net income attributable to common shareholders	$ 1.44	$ 1.20	$ 2.37	$ 2.07
Diluted earnings per share:				
Net income attributable to common shareholders	$ 1.44	$ 1.20	$ 2.37	$ 2.07
Weighted-average common shares outstanding:				
Basic	195	182	190	182
Diluted	195	182	190	182

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Net income attributable to common shareholders	$ 280	$ 218	$ 450	$ 376
Other comprehensive income, net of tax:				
Defined benefit pension plan actuarial loss, net of tax of $0 for the three months ended June 30, 2023 and 2022, and $0 for the six months ended June 30, 2023 and 2022	—	1	—	2
Unrealized gain on cash flow hedges, net of tax of $0 and $1 for the three months ended June 30, 2023 and 2022, respectively, and $0 and $1 for the six months ended June 30, 2023 and 2022, respectively	2	3	—	3
Unrealized (loss) gain on available-for-sale fixed-income securities, net of tax of $0 for the three months ended June 30, 2023 and 2022, and $0 for the six months ended June 30, 2023 and 2022	(1)	—	1	—
Net other comprehensive income	1	4	1	5
Comprehensive income attributable to common shareholders	$ 281	$ 222	$ 451	$ 381

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Six Months Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 450	$ 376
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	346	321
Deferred income taxes and amortization of investment tax credits	74	(33)
Provision for losses on accounts receivable	9	10
Pension and non-pension postretirement benefits	(3)	(25)
Other non-cash, net	(40)	(2)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(83)	(159)
Income tax receivable	40	4
Pension and non-pension postretirement benefit contributions	(20)	(31)
Accounts payable and accrued liabilities	(22)	(63)
Accrued taxes	19	(150)
Other assets and liabilities, net	(56)	(52)
Net cash provided by operating activities	714	196
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,153)	(995)
Acquisitions, net of cash acquired	(33)	(240)
Net proceeds from sale of assets	—	608
Removal costs from property, plant and equipment retirements, net	(78)	(49)
Net cash used in investing activities	(1,264)	(676)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	1,160	811
Repayments of long-term debt	(170)	(7)
Net proceeds from common stock financing	1,688	—
Net short-term repayments with maturities less than three months	(1,175)	(164)
Advances and contributions in aid of construction, net of refunds of $16 and $8 for the six months ended June 30, 2023 and 2022, respectively	28	41
Debt issuance costs and make-whole premium on early debt redemption	(13)	(7)
Dividends paid	(257)	(228)
Other, net	(4)	(5)
Net cash provided by financing activities	1,257	441
Net increase (decrease) in cash, cash equivalents and restricted funds	707	(39)
Cash, cash equivalents and restricted funds at beginning of period	117	136
Cash, cash equivalents and restricted funds at end of period	$ 824	$ 97
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	$ 343	$ 335

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock					Treasury Stock		
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	Total Shareholders' Equity
Balance as of December 31, 2022	187.4	$ 2	$ 6,824	$ 1,267	$ (23)	(5.4)	$ (377)	$ 7,693
Net income attributable to common shareholders	—	—	—	170	—	—	—	170
Common stock issuances (a)	12.7	—	1,695	—	—	—	(11)	1,684
Net other comprehensive income	—	—	—	—	—	—	—	—
Balance as of March 31, 2023	200.1	$ 2	$ 8,519	$ 1,437	$ (23)	(5.4)	$ (388)	$ 9,547
Net income attributable to common shareholders	—	—	—	280	—	—	—	280
Common stock issuances (a)	—	—	10	—	—	—	—	10
Net other comprehensive income	—	—	—	—	1	—	—	1
Dividends ($0.7075 declared per common share)	—	—	—	(137)	—	—	—	(137)
Balance as of June 30, 2023	200.1	$ 2	$ 8,529	$ 1,580	$ (22)	(5.4)	$ (388)	$ 9,701

(a) Includes stock-based compensation, employee stock purchase plan and dividend reinvestment and direct stock purchase plan activity.

	Common Stock					Treasury Stock		
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	Total Shareholders' Equity
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298
Net income attributable to common shareholders	—	—	—	158	—	—	—	158
Common stock issuances (a)	0.2	—	15	—	—	—	(12)	3
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2022	187.1	$ 2	$ 6,796	$ 1,083	$ (44)	(5.3)	$ (377)	$ 7,460
Net income attributable to common shareholders	—	—	—	218	—	—	—	218
Common stock issuances (a)	—	—	8	—	—	—	—	8
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends ($0.6550 declared per common share)	—	—	—	(120)	—	—	—	(120)
Balance as of June 30, 2022	187.1	$ 2	$ 6,804	$ 1,181	$ (40)	(5.3)	$ (377)	$ 7,570

(a) Includes stock-based compensation, employee stock purchase plan and dividend reinvestment and direct stock purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the "Company" or "American Water"), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q ("Form 10-Q"). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of June 30, 2023, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2022 ("Form 10-K"), which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company's operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2023:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023	Prospective	This standard did not have a material impact on the Consolidated Financial Statements
Troubled Debt Restructurings and Vintage Disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings ("TDRs") by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	This standard did not have a material impact on the Consolidated Financial Statements

Property, Plant and Equipment

The New Jersey Economic Development Authority ("NJEDA") determined that the Company was qualified to receive $161 million in tax credits in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The Company was qualified to receive the tax credits over a 10-year period commencing in 2019.

In March 2023, the NJEDA issued the utilization certificate for the 2020 tax credits to the Company in the amount of $16 million. The Company sold these tax credits to external parties in March 2023 for $15 million. As of June 30, 2023 and December 31, 2022, the Company had $32 million and $48 million, respectively, in Other current assets and $97 million in Other long-term assets on the Consolidated Balance Sheets as a result of these tax credits. The Company has made the necessary annual filing for the years ended December 31, 2021 and 2022.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding.

Presented in the table below are the changes in the allowance for uncollectible accounts for the six months ended June 30:

	2023	2022
Balance as of January 1	$ (60)	$ (75)
Amounts charged to expense	(9)	(10)
Amounts written off	13	11
Other, net (a)	4	7
Balance as of June 30	$ (52)	$ (67)

(a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of the excess accumulated deferred income taxes ("EADIT") that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Missouri	May 28, 2023	$ 44
Virginia	April 24, 2023 (a)	11
Pennsylvania	January 28, 2023	138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 273

(a) Interim rates were effective May 1, 2022, and the difference between interim and final approved rates is subject to refund. The Virginia State Corporation Commission issued its final Order on April 24, 2023.

On June 29, 2023, the California Public Utilities Commission ("CPUC") issued a decision on the cost of capital application for the Company's California subsidiary, which authorizes a return on equity of 8.98% and a capital structure with an equity component of 57.04% for the three-year period from 2022 to 2024. The CPUC's decision is not retroactive and will be effective from the date of the order through the end of 2024. The decision includes a Water Cost of Capital Mechanism (the "WCCM") that would allow the California subsidiary to increase its return on equity for the remainder of 2023 and 2024 based on capital market rates. As authorized by the WCCM, on June 30, 2023, the California subsidiary filed with the CPUC staff an advice letter to seek a 52 basis point increase to the return on equity for 2023, which was approved on July 25, 2023, increasing the return on equity to 9.50%, effective July 31, 2023.

On May 3, 2023, the Missouri Public Service Commission issued an order approving the March 3, 2023, joint settlement agreement in the general rate case filed on July 1, 2022, by the Company's Missouri subsidiary. The general rate case order approved a $44 million annualized increase in water and wastewater revenues, excluding $51 million in previously approved infrastructure surcharges, and authorized implementation of the new water and wastewater rates effective May 28, 2023. The annualized revenue increase is driven primarily by significant incremental capital investments since the Missouri subsidiary's 2021 rate case order. The Missouri subsidiary's view of its rate base is $2.3 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) is 9.75% and 50.0%, respectively.

On April 24, 2023, the Virginia State Corporation Commission issued an order approving the settlement of the rate case filed on September 26, 2022, by the Company's Virginia subsidiary. The general rate case order approved an $11 million annualized increase in water and wastewater revenues. Interim rates in this proceeding were effective on May 1, 2022, and the order requires that the difference between interim and the final approved rates is subject to refund within 90 days of the order issuance. The order approves the settlement terms with a return on equity of 9.7% and a common equity ratio of 40.7%. The annualized revenue increase is driven primarily by significant incremental capital investments since the Virginia subsidiary's 2020 rate case order that have been completed or were planned through April 30, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order includes recovery of the Virginia subsidiary's COVID-19 deferral balance. It also includes approval of the accounting deferral of deviations in pension and other postretirement benefits expense from those established in base rates, until the Virginia subsidiary's next base rate case.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement agreement in the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a $138 million annualized increase in water and wastewater revenues, excluding $24 million for previously approved infrastructure filings, and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Pennsylvania subsidiary's COVID-19 deferral balance. The Pennsylvania subsidiary's view of its rate base is $5.1 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) is 10.0% and 44.8%, respectively.

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues, excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $18 million, effective January 1, 2023, based on an authorized return on equity of 9.78%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On June 30, 2023, the Company's Kentucky subsidiary filed a general rate case requesting $26 million in additional annualized revenues, excluding infrastructure surcharges of $10 million. An order is expected in the general rate case by the end of the first quarter of 2024.

On May 1, 2023, the Company's West Virginia subsidiary filed a general rate case requesting $45 million in additional annualized revenues, excluding previously approved infrastructure surcharges of $7 million. The general rate case includes a future test year capturing planned investment through 2025 and an order is expected to be reached by February 25, 2024. On June 30, 2023, the West Virginia subsidiary filed its annual infrastructure surcharge requesting $8 million in additional annualized revenues for planned investment through 2024. The infrastructure surcharge will be aligned with the investments recognized in the general rate case if the future test year is approved.

On March 31, 2023, the Company's Indiana subsidiary filed a general rate case requesting $87 million in additional annualized revenues, excluding $41 million of revenue from infrastructure filings already approved, which includes three step increases, with $43 million of the increase to be included in rates in January 2024, $18 million in May 2024, and $26 million in May 2025. An order is expected in the general rate case by the end of January 2024.

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, all as compared to 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised filing requested additional annualized revenues for the test year 2024 of $37 million, compared to 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	(a)	$ 17
Indiana	(b)	26
Missouri	January 16, 2023	14
Pennsylvania	January 1, 2023	3
West Virginia	January 1, 2023	7
Total infrastructure surcharge authorizations		$ 67

(a) In 2023, $1 million was effective June 29 and $16 million was effective April 29.

(b) In 2023, $20 million was effective March 23 and $6 million was effective March 8.

Pending Infrastructure Surcharge Filings

On March 1, 2023, the Company's Kentucky subsidiary filed an infrastructure surcharge proceeding requesting $4 million in additional annualized revenues. An order is expected in this proceeding in the third quarter of 2023. The infrastructure surcharge will reset to zero once the pending general rate case becomes effective which is expected by the end of the first quarter of 2024.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities ("NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the Company expects a decision by the end of 2023. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Note 4: Revenue Recognition

Disaggregated Revenues

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-Q within "Other."

Presented in the table below are operating revenues disaggregated for the three months ended June 30, 2023:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 554	$ —	$ 554
Commercial	198	—	198
Fire service	39	—	39
Industrial	38	—	38
Public and other	75	—	75
Total water services	904	—	904
Wastewater services:			
Residential	57	—	57
Commercial	16	—	16
Industrial	2	—	2
Public and other	7	—	7
Total wastewater services	82	—	82
Miscellaneous utility charges	9	—	9
Alternative revenue programs	—	8	8
Lease contract revenue	—	2	2
Total Regulated Businesses	995	10	1,005
Other	93	(1)	92
Total operating revenues	$ 1,088	$ 9	$ 1,097

(a) Includes revenues associated with alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* ("ASC 606"), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the three months ended June 30, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 483	$ 1	$ 484
Commercial	174	—	174
Fire service	37	—	37
Industrial	38	—	38
Public and other	59	—	59
Total water services	791	1	792
Wastewater services:			
Residential	42	—	42
Commercial	11	—	11
Industrial	1	—	1
Public and other	4	—	4
Total wastewater services	58	—	58
Miscellaneous utility charges	9	—	9
Alternative revenue programs	—	4	4
Lease contract revenue	—	2	2
Total Regulated Businesses	858	7	865
Other	72	—	72
Total operating revenues	$ 930	$ 7	$ 937

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the six months ended June 30, 2023:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,015	$ —	$ 1,015
Commercial	369	—	369
Fire service	78	—	78
Industrial	76	—	76
Public and other	131	—	131
Total water services	1,669	—	1,669
Wastewater services:			
Residential	111	—	111
Commercial	30	—	30
Industrial	4	—	4
Public and other	13	—	13
Total wastewater services	158	—	158
Miscellaneous utility charges	17	—	17
Alternative revenue programs	—	17	17
Lease contract revenue	—	4	4
Total Regulated Businesses	1,844	21	1,865
Other	171	(1)	170
Total operating revenues	$ 2,015	$ 20	$ 2,035

(a) Includes revenues associated with alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* ("ASC 606"), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the six months ended June 30, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 911	$ 1	$ 912
Commercial	327	—	327
Fire service	73	—	73
Industrial	74	—	74
Public and other	116	—	116
Total water services	1,501	1	1,502
Wastewater services:			
Residential	83	—	83
Commercial	21	—	21
Industrial	2	—	2
Public and other	7	—	7
Total wastewater services	113	—	113
Miscellaneous utility charges	18	—	18
Alternative revenue programs	—	6	6
Lease contract revenue	—	4	4
Total Regulated Businesses	1,632	11	1,643
Other	136	—	136
Total operating revenues	$ 1,768	$ 11	$ 1,779

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's Military Services Group ("MSG"), certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $111 million and $86 million are included in unbilled revenues on the Consolidated Balance Sheets as of June 30, 2023 and December 31, 2022, respectively. Contract liabilities of $71 million and $91 million are included in other current liabilities on the Consolidated Balance Sheets as of June 30, 2023 and December 31, 2022, respectively. Revenues recognized for the six months ended June 30, 2023 and 2022, from amounts included in contract liabilities were $68 million and $65 million, respectively.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of June 30, 2023, the Company's operation and maintenance ("O&M") and capital improvement contracts in the MSG and the Contract Services Group have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2073 and have RPOs of $7.0 billion as of June 30, 2023, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of $578 million as of June 30, 2023, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures

Regulated Businesses

Closed Acquisitions

During the six months ended June 30, 2023, the Company closed on ten acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $35 million, which added approximately 7,100 water and wastewater customers. This includes the Company's New Jersey subsidiary's acquisition of the water and wastewater assets of Egg Harbor City on June 1, 2023, for a cash purchase price of $22 million, $2 million of which was funded as a deposit to the seller in March 2021 in connection with the execution of the acquisition agreement. The Egg Harbor City acquisition was accounted for as a business combination and the assets acquired consisted primarily of $22 million of utility plant.

Pending Acquisitions

On April 6, 2023, the Company's Illinois subsidiary entered into an agreement to acquire the assets of the wastewater treatment plant from the City of Granite City for $83 million, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 26,000 customer connections. The Company now expects to close this acquisition by the end of 2023, pending regulatory approval.

Effective March 24, 2023, the Company's Pennsylvania subsidiary acquired the rights to buy the wastewater system assets of the Township of Towamencin, for an aggregate purchase price of $104 million, subject to adjustment as provided in the asset purchase agreement. This system provides wastewater services to approximately 6,300 customer connections in seven townships in Montgomery County, Pennsylvania. The Company expects to close this acquisition by mid-year 2024, pending regulatory approval.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of $232 million in cash, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

Note 6: Shareholders' Equity

Common Stock Offering

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of its common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of American Water, and for general corporate purposes.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the six months ended June 30, 2023 and 2022, respectively:

	Defined Benefit Pension Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Loss on Cash Flow Hedges	Gain on Fixed-Income Securities	Accumulated Other Comprehensive Loss
Balance as of December 31, 2022	$ (93)	$ 1	$ 70	$ (1)	$ —	$ (23)
Other comprehensive income before reclassifications	—	—	—	—	1	1
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	—	—
Net other comprehensive income	—	—	—	—	1	1
Balance as of June 30, 2023	$ (93)	$ 1	$ 70	$ (1)	$ 1	$ (22)
Balance as of December 31, 2021	$ (107)	$ 1	$ 67	$ (6)	$ —	$ (45)
Other comprehensive income before reclassifications	—	—	—	4	—	4
Amounts reclassified from accumulated other comprehensive income	—	—	1	—	—	1
Net other comprehensive income	—	—	1	4	—	5
Balance as of June 30, 2022	$ (107)	$ 1	$ 68	$ (2)	$ —	$ (40)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

An unrealized gain (loss) on available-for-sale fixed-income securities is reclassified to net income upon sale of the securities as a realized gain or loss and is included in Other, net in the accompanying Consolidated Statements of Operations.

Dividends

On June 1, 2023, the Company paid a quarterly cash dividend of $0.7075 per share to shareholders of record as of May 9, 2023.

On July 26, 2023, the Company's Board of Directors declared a quarterly cash dividend payment of $0.7075 per share, payable on September 1, 2023, to shareholders of record as of August 8, 2023. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 7: Long-Term Debt

On June 29, 2023, AWCC, issued $1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). AWCC received net proceeds of approximately $1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder is being used for general corporate purposes. The Notes are senior unsecured obligations of AWCC and have the benefit of a support agreement from parent company, which serves as the functional equivalent of a guarantee by parent company of the obligations of AWCC under the Notes. The Notes will mature on June 15, 2026 (the "Maturity Date"), unless earlier exchanged or repurchased.

The Notes will be exchangeable at an initial exchange rate of 5.8213 shares of parent company's common stock per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $171.78 per share of common stock). The initial exchange rate of the Notes is subject to adjustment as provided in the indenture pursuant to which the Notes were issued (the "Note Indenture"). Prior to the close of business on the business day immediately preceding March 15, 2026, the Notes will be exchangeable at the option of the noteholders only upon the satisfaction of specified conditions and during certain periods described in the Note Indenture. On or after March 15, 2026, until the close of business on the business day immediately preceding the Maturity Date, the Notes will be exchangeable at the option of the noteholders at any time regardless of these conditions or periods. Upon any exchange of the Notes, AWCC will (1) pay cash up to the aggregate principal amount of the Notes and (2) pay or deliver (or cause to be delivered), as the case may be, cash, shares of parent company's common stock, or a combination of cash and shares of such common stock, at AWCC's election, in respect of the remainder, if any, of AWCC's exchange obligation in excess of the aggregate principal amount of the Notes being exchanged.

AWCC may not redeem the Notes prior to the Maturity Date, and no sinking fund is provided for the Notes. Subject to certain conditions, holders of the Notes will have the right to require AWCC to repurchase all or a portion of their Notes upon the occurrence of a fundamental change, as defined in the Note Indenture, at a repurchase price of 100% of their principal amount plus any accrued and unpaid interest.

In addition to the Notes issued by AWCC as described above, during the six months ended June 30, 2023, the Company's regulated subsidiaries issued in the aggregate $125 million of private activity bonds and government funded debt in multiple transactions with annual interest rates ranging from 0.00% to 3.75%, with a weighted average interest rate of 3.30%, maturing in 2025 through 2041. The private activity bonds and government funded debt issued by the Company's regulated subsidiaries during the six months ended June 30, 2023, were collateralized. During the six months ended June 30, 2023, AWCC and the Company's regulated subsidiaries made sinking fund payments for, or repaid at maturity, $170 million in aggregate principal amount of outstanding long-term debt, with annual interest rates ranging from 0.00% to 6.55%, a weighted average interest rate of 1.63%, and maturity dates ranging from 2023 to 2051.

The Company had entered into eleven 10-year treasury lock agreements, with notional amounts totaling $300 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In June 2023, the Company terminated the treasury lock agreements realizing a net gain of $3 million included in Other, net in the accompanying Consolidated Statements of Operations.

No ineffectiveness was recognized on hedging instruments for the three and six months ended June 30, 2023 or 2022.

Note 8: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility and issuances of equity. The revolving credit facility provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is October 2027. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. As of June 30, 2023 and December 31, 2022, there were no borrowings under the revolving credit facility. As of June 30, 2023 and December 31, 2022, there were $75 million and $78 million, respectively, of outstanding letters of credit under the revolving credit facility.

At June 30, 2023, there was no outstanding short-term debt as the proceeds of the Notes were used to repay the short-term commercial paper obligations. See Note 7—Long-Term Debt for additional information relating to the Notes.

At December 31, 2022, short-term debt consisting of commercial paper borrowings totaled $1,177 million, or net of discount $1,175 million. The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41% and there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of June 30, 2023		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	—	(75)	(75)
Remaining availability as of June 30, 2023	$ 2,600	$ 75	$ 2,675

(a) Total remaining availability of $2.68 billion as of June 30, 2023, may be accessed through revolver draws.

	As of December 31, 2022		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	$ 1,423	$ 72	$ 1,495

(a) Total remaining availability of $1.50 billion as of December 31, 2022, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of June 30, 2023 and December 31, 2022, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of June 30, 2023	$ 794	$ 2,675	$ 3,469
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580

Note 9: Income Taxes

The Company's effective income tax rate was 21.6% and 19.3% for the three months ended June 30, 2023 and 2022, respectively, and 21.2% and 18.8% for the six months ended June 30, 2023 and 2022, respectively. The increase in the Company's effective income tax rate for the three and six months ended June 30, 2023, was primarily due to the decrease in the amortization of EADIT pursuant to regulatory orders. The amortization of EADIT is generally offset with reduction in revenue.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to net income when determining AFSI. The Company evaluated the potential impacts of the CAMT provision within the IRA and believes it does not exceed the $1 billion AFSI threshold, and therefore, is not currently subject to CAMT in 2023. The Company is continuing to assess the impact of the initial guidance regarding the application of the CAMT and will continue to monitor as additional guidance is released.

Note 10: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit costs:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Components of net periodic pension benefit cost (credit):				
Service cost	$ 4	$ 7	$ 8	$ 15
Interest cost	21	16	43	32
Expected return on plan assets	(23)	(30)	(46)	(61)
Amortization of prior service credit	(1)	(1)	(2)	(2)
Amortization of actuarial loss	3	5	7	10
Net periodic pension benefit cost (credit)	$ 4	$ (3)	$ 10	$ (6)
Components of net periodic other postretirement benefit credit:				
Service cost	$ —	$ 1	$ 1	$ 2
Interest cost	3	2	7	5
Expected return on plan assets	(3)	(5)	(6)	(10)
Amortization of prior service credit	(8)	(8)	(16)	(16)
Amortization of actuarial loss	—	—	1	—
Net periodic other postretirement benefit credit	$ (8)	$ (10)	$ (13)	$ (19)

The Company contributed $10 million and $20 million for the funding of its defined benefit pension plans for the three and six months ended June 30, 2023, respectively, and contributed $9 million and $18 million for the funding of its defined benefit pension plans for the three and six months ended June 30, 2022, respectively. The Company expects to make pension contributions to the plan trusts of $22 million during the remainder of 2023.

There were no contributions for the three and six months ended June 30, 2023, and $3 million and $13 million of contributions for the three and six months ended June 30, 2022, respectively, for the funding of the Company's other postretirement benefit plans.

Note 11: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of June 30, 2023, the Company has accrued approximately $6 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $3 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 11—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. On August 26, 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 5, 2022 order, which petition was denied on June 8, 2023. The case will now return to the circuit court for further discovery, rulings and ultimately a class trial on issues relating to duty and breach of that duty. The trial will not find class-wide damages or punitive damages.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. Given the current stage of this proceeding, the Company cannot reasonably estimate the amount of any reasonably possible losses or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order," and, together with the 2009 Order, the "Orders") approving a deadline of December 31, 2021, for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the Orders.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated incurred costs, plus an allowance for funds used during construction ("AFUDC"), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $223 million in aggregate costs as of June 30, 2023 related to the Water Supply Project, which includes $62 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. On December 5, 2022, the CPUC issued a final decision that authorized Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately $62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities. On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision, and on March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing, but adopting its proposed AFUDC for already incurred and future costs. This decision also provided Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings to be scheduled in a Phase 2 to this CPUC proceeding will focus on updated supply and demand estimates for the Water Supply Project.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 final decision and its December 2022 final decision, as amended by its March 30, 2023 rehearing decision.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am's appeal of the City's denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

On October 5, 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

On November 17, 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. On December 29, 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency, and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the slant wells. Cal Am is named as a real party in interest. This matter remains pending.

Following the issuance of the coastal development permit, Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2022, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2023 and future years may be impacted by a number of factors, including, without limitation, continued drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The Orders remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the Orders.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

As of June 30, 2023, $0.5 million of the aggregate Settlement amount of $126 million remains reflected in accrued liabilities, and $0.5 million in an offsetting insurance receivable remains reflected in other current assets on the Consolidated Balance Sheets pending resolution of all asserted actual or potential claims associated with this matter. The amount reflected in accrued liabilities reflects the status of the liability and the offsetting insurance receivable reflected in other current assets, each as of as of June 30, 2023.

Note 12: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net income attributable to common shareholders	$ 280	$ 218	$ 450	$ 376
Denominator:				
Weighted-average common shares outstanding—Basic	195	182	190	182
Effect of dilutive common stock equivalents	—	—	—	—
Weighted-average common shares outstanding—Diluted	195	182	190	182

The effect of dilutive common stock equivalents is related to outstanding restricted stock units ("RSUs") and performance stock units ("PSUs") granted under the Company's 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company's 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three and six months ended June 30, 2023 and 2022, because their effect would have been anti-dilutive under the treasury stock method.

The if-converted method is applied to the Notes issued in June 2023 for computing diluted EPS. For both periods presented, there was no dilution resulting from the Notes. See Note 7—Long-Term Debt for additional information relating to the Notes.

Note 13: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Seller promissory note from the sale of the Homeowner Services Group ("HOS") — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note, included as part of the consideration from the sale of HOS, is $720 million as of June 30, 2023 and December 31, 2022. This amount represents the principal amount owed under the seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the seller note approximated $691 million and $686 million as of June 30, 2023 and December 31, 2022, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The seller note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of June 30, 2023				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt	12,185	9,725	34	1,356	11,115

	As of December 31, 2022				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt (excluding finance lease obligations)	11,207	8,599	49	1,427	10,075

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 31	$ —	$ —	$ 31
Rabbi trust investments	21	—	—	21
Deposits	6	—	—	6
Other investments				
Money market and other	30	—	—	30
Fixed-Income Securities	166	6	—	172
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	254	6	72	332
Liabilities:				
Deferred compensation obligations	25	—	—	25
Total liabilities	25	—	—	25
Total assets	$ 229	$ 6	$ 72	$ 307

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 32	$ —	$ —	$ 32
Rabbi trust investments	21	—	—	21
Deposits	7	—	—	7
Other investments				
Money market and other	61	—	—	61
Fixed-Income Securities	147	6	—	153
Contingent cash payment from the sale of HOS	—	—	72	72
Mark-to-market derivative asset	—	1	—	1
Total assets	268	7	72	347
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	$ 244	$ 7	$ 72	$ 323

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of treasury lock agreements, classified as cash flow hedges, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments—The Company maintains a Voluntary Employees' Beneficiary Association trust for purposes of paying active union employee medical benefits ("Active VEBA"). The investments in the Active VEBA trust primarily consist of money market funds and available-for-sale fixed income securities.

The money market and other investments have original maturities of three months or less when purchased. The fair value measurement of the money market and other investments is based on observable market prices and therefore included in the recurring fair value measurements hierarchy as Level 1.

The available-for-sale fixed income securities are primarily investments in U.S. Treasury securities and government bonds. The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets. Certain U.S. Treasury securities are based on prices that reflect observable market information, such as actual trade information of similar securities, and are therefore categorized as Level 2, because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate.

The Company includes other investments measured and recorded at fair value on the Consolidated Balance Sheets of $69 million and $67 million in Other current assets, as of June 30, 2023 and December 31, 2022, respectively, and $133 million and $147 million in Other long-term assets, as of June 30, 2023 and December 31, 2022, respectively. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income until realized.

The following tables summarize the unrealized positions for available-for-sale fixed income securities as of June 30, 2023 and December 31, 2022:

	As of June 30, 2023			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 171	$ 6	$ 5	$ 172

	As of December 31, 2022			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 153	$ —	$ —	$ 153

The fair value of the Company's available-for-sale fixed income securities, summarized by contractual maturities, as of June 30, 2023, is as follows:

	Amount
Other investments - Available-for-sale fixed-income securities	
Less than one year	$ 116
1 year - 5 years	42
5 years - 10 years	3
Greater than 10 years	11
Total	$ 172

Contingent cash payment from the sale of HOS—The Company's contingent cash payment derivative included as part of the consideration from the sale of HOS, payable upon satisfaction of certain conditions on or before December 31, 2023, is included in other current assets on the Consolidated Balance Sheets. The accounting fair value measurement of the contingent cash payment approximated $72 million, which is reflective of changes in the benchmark interest rate and estimated using the probability of the outcome of receipt of the $75 million, a Level 3 input.

Note 14: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's right-of-use ("ROU") assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 37 years, six years, and three years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $144 million and $145 million as of June 30, 2023 and December 31, 2022, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and are excluded from the lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $2 million in 2023, $4 million in 2024 through 2027, and $45 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating leases were $3 million for each of the three months ended June 30, 2023 and June 30, 2022, and $6 million for each of the six months ended June 30, 2023 and June 30, 2022.

For the three and six months ended June 30, 2023, cash paid for amounts in lease liabilities, which includes operating cash flows from operating leases, were $3 million and $5 million, respectively. For the six months ended June 30, 2023, there were ROU assets obtained in exchange for new operating lease liabilities of $4 million.

As of June 30, 2023, the weighted-average remaining lease term of the operating leases was 17 years, and the weighted-average discount rate of the operating leases was 4%.

The future maturities of lease liabilities as of June 30, 2023 were $5 million in 2023, $10 million in 2024, $9 million in 2025, $8 million in 2026, $7 million in 2027, and $76 million thereafter. As of June 30, 2023, imputed interest was $37 million.

Note 15: Segment Information

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment also includes inter-segment revenues, costs and interest which are eliminated to reconcile to the Consolidated Statements of Operations.

The Company also operates other businesses, primarily MSG, that do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Form 10-Q within "Other," which is consistent with how management assesses the results of these businesses. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

The seller promissory note from the sale of HOS has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized $12 million of interest income from the seller note for each of the three months ended June 30, 2023 and 2022, and $25 million of interest income from the seller note for each of the six months ended June 30, 2023 and 2022.

The Company recognized $3 million and $2 million of income during the three months ended June 30, 2023 and 2022, respectively, and $6 million and $4 million of income during the six months ended June 30, 2023 and 2022, respectively, from the revenue share agreements from the sale of HOS, which is included in Other, net on the Consolidated Statements of Operations.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended June 30, 2023		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 1,005	$ 92	$ 1,097
Depreciation and amortization	172	2	174
Total operating expenses, net	584	81	665
Interest expense	(90)	(20)	(110)
Interest income	6	9	15
Provision for income taxes	73	4	77
Net income attributable to common shareholders	278	2	280
Total assets	26,243	3,253	29,496
Cash paid for capital expenditures	622	5	627

	As of or for the Three Months Ended June 30, 2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 865	$ 72	$ 937
Depreciation and amortization	157	6	163
Total operating expenses, net	546	64	610
Interest expense	(76)	(30)	(106)
Interest income	—	12	12
Provision for income taxes	47	5	52
Net income (loss) attributable to common shareholders	219	(1)	218
Total assets	23,864	2,710	26,574
Cash paid for capital expenditures	568	3	571

	As of or for the Six Months Ended June 30, 2023		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 1,865	$ 170	$ 2,035
Depreciation and amortization	341	5	346
Total operating expenses, net	1,156	152	1,308
Interest expense	(177)	(48)	(225)
Interest income	7	22	29
Provision for income taxes	119	2	121
Net income (loss) attributable to common shareholders	452	(2)	450
Total assets	26,243	3,253	29,496
Cash paid for capital expenditures	1,146	7	1,153

	As of or for the Six Months Ended June 30, 2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 1,643	$ 136	$ 1,779
Depreciation and amortization	312	9	321
Total operating expenses, net	1,084	122	1,206
Interest expense	(146)	(60)	(206)
Interest income	—	25	25
Provision for income taxes	83	4	87
Net income (loss) attributable to common shareholders	379	(3)	376
Total assets	23,864	2,710	26,574
Cash paid for capital expenditures	990	5	995

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company's Form 10-K for the year ended December 31, 2022. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements" and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). The Company also operates other businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-Q within "Other." See Part I, Item 1—Business in the Company's Form 10-K for additional information.

Financial Results

For the three and six months ended June 30, 2023, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), were $1.44 and $2.37, respectively, an increase of $0.24 and $0.30, respectively, as compared to the same periods in the prior year. These increases were primarily driven by the implementation of new rates in the Regulated Businesses for the recovery of capital and acquisition investments, offset somewhat by increased production costs, including inflationary pressures and higher pension costs since mid-2022. Approximately 75% of the estimated impact of increased production costs, including chemicals, power and other fuel, and of higher pension costs, are reflected in higher revenues in 2023 from rate cases recently completed. Results for the three and six months ended June 30, 2023, also reflect the favorable impact of weather, estimated at $0.07 per share, due to warm, dry weather in the second quarter of 2023. Results for the three and six months ended June 30, 2023, also reflect the impact of share dilution from the equity financing of $0.10 and $0.11 per share, respectively, which offsets the avoided interest expense.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. The Company plans to invest approximately $2.9 billion in these growth strategies in 2023. During the first six months of 2023, the Company invested $1.2 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- $1.15 billion capital investment in the Regulated Businesses, the substantial majority for infrastructure improvements and replacements; and
- $33 million to fund acquisitions in the Regulated Businesses, which added approximately 7,100 customers, in addition to approximately 9,500 customers added through organic growth. This includes the Company's New Jersey subsidiary's acquisition of the water and wastewater assets of Egg Harbor City on June 1, 2023, for a cash purchase price of $22 million, $2 million of which was funded as a deposit to the seller in March 2021 in connection with the execution of the acquisition agreement.

Effective March 24, 2023, the Company's Pennsylvania subsidiary acquired the rights to buy the wastewater system assets of the Township of Towamencin, for an aggregate purchase price of $104 million, subject to adjustment as provided in the asset purchase agreement. This system provides wastewater services to approximately 6,300 customer connections in seven townships in Montgomery County, Pennsylvania. The Company expects to close this acquisition by mid-year 2024, pending regulatory approval.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of $232 million in cash, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On April 6, 2023, the Company's Illinois subsidiary entered into an agreement to acquire the assets of the wastewater treatment plant from the City of Granite City for $83 million, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 26,000 customer connections. The Company now expects to close this acquisition by the end of 2023, pending regulatory approval.

As of June 30, 2023, the Company had entered into 32 agreements with a total aggregate purchase price of $555 million for pending acquisitions in the Regulated Businesses, including the agreements discussed above, to add approximately 74,800 additional customers.

Other Matters

Environmental, Health and Safety, and Water Quality Regulation

On March 14, 2023, the United States Environmental Protection Agency ("EPA") announced the proposed National Primary Drinking Water Regulations ("NPDWR") for six per- and polyfluoroalkyl substances ("PFAS") including perfluorooctanoic acid ("PFOA"), perfluorooctane sulfonic acid ("PFOS"), perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid ("HFPO-DA", commonly known as "GenX Chemicals"), perfluorohexane sulfonic acid ("PFHxS"), and perfluorobutane sulfonic acid ("PFBS"). The proposed regulations would establish legally enforceable levels for PFAS in drinking water. The EPA anticipates issuing a final rule by the end of 2023 and utilities will be provided a three-year window to comply with the new regulations once finalized, although the Safe Drinking Water Act allows utilities to request an additional two years if capital improvements are required.

The Company performed an initial review of the NPDWR to assess the four parts per trillion requirements for PFAS and the application of the Hazard Index approach for PFNA, PFBS, PFHxS, and GenX Chemicals. On May 24, 2023, the Company submitted comments to the EPA outlining its position on key issues to address the proposed regulations, including its projected costs associated with PFAS treatment at the proposed limits and the potential impact to customers' bills. The Company estimates an investment in excess of $1 billion of capital expenditures to install additional treatment facilities over a three to five-year period in order to comply with proposed regulations. Additionally, the Company estimates annual operating expenses of approximately $50 million related to testing and treatment in today's dollars. These are preliminary estimates based on the proposed rule. The actual expenses may differ from these preliminary estimates and will be dependent upon multiple factors, including the final rule and effective date, as well as the completion of a system-by-system engineering analysis.

The Company supports sound policies and compliance with the NPDWR by all water utilities, while protecting customers and communities from the costly burden of monitoring for and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable and is currently participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. The Company is monitoring ongoing litigation and settlement activity with manufacturers of PFAS in these proceedings for potential impacts to the various claims asserted by the Company.

Operational Excellence

The Company's adjusted regulated operation and maintenance ("O&M") efficiency ratio was 33.1% for the twelve months ended June 30, 2023, as compared to 33.7% for the twelve months ended June 30, 2022. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below, as well as the continued focus on operating costs.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

	For the Twelve Months Ended June 30,	
(Dollars in millions)	**2023**	**2022**
Total operation and maintenance expenses	$ 1,662	$ 1,668
Less:		
Operation and maintenance expenses—Other	278	352
Total operation and maintenance expenses—Regulated Businesses	1,384	1,316
Less:		
Regulated purchased water expenses	153	152
Allocation of non-operation and maintenance expenses	23	32
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,208	$ 1,132
Total operating revenues	$ 4,048	$ 3,822
Less:		
Operating revenues—Other	321	408
Total operating revenues—Regulated Businesses	3,727	3,414
Less:		
Regulated purchased water revenues (a)	153	152
Revenue reductions from the amortization of EADIT	(78)	(97)
Adjusted operating revenues—Regulated Businesses (ii)	$ 3,652	$ 3,359
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.1 %	33.7 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of the EADIT that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Missouri	May 28, 2023	$ 44
Virginia	April 24, 2023 (a)	11
Pennsylvania	January 28, 2023	138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 273

(a) Interim rates were effective May 1, 2022, and the difference between interim and final approved rates is subject to refund. The Virginia State Corporation Commission issued its final Order on April 24, 2023.

On June 29, 2023, the California Public Utilities Commission ("CPUC") issued a decision on the cost of capital application for the Company's California subsidiary, which authorizes a return on equity of 8.98% and a capital structure with an equity component of 57.04% for the three-year period from 2022 to 2024. The CPUC's decision is not retroactive and will be effective from the date of the order through the end of 2024. The decision includes a Water Cost of Capital Mechanism (the "WCCM") that would allow the California subsidiary to increase its return on equity for the remainder of 2023 and 2024 based on capital market rates. As authorized by the WCCM, on June 30, 2023, the California subsidiary filed with the CPUC staff an advice letter to seek a 52 basis point increase to the return on equity for 2023, which was approved on July 25, 2023, increasing the return on equity to 9.50%, effective July 31, 2023.

On May 3, 2023, the Missouri Public Service Commission issued an order approving the March 3, 2023, joint settlement agreement in the general rate case filed on July 1, 2022, by the Company's Missouri subsidiary. The general rate case order approved a $44 million annualized increase in water and wastewater revenues, excluding $51 million in previously approved infrastructure surcharges, and authorized implementation of the new water and wastewater rates effective May 28, 2023. The annualized revenue increase is driven primarily by significant incremental capital investments since the Missouri subsidiary's 2021 rate case order. The Missouri subsidiary's view of its rate base is $2.3 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) is 9.75% and 50.0%, respectively.

On April 24, 2023, the Virginia State Corporation Commission issued an order approving the settlement of the rate case filed on September 26, 2022, by the Company's Virginia subsidiary. The general rate case order approved an $11 million annualized increase in water and wastewater revenues. Interim rates in this proceeding were effective on May 1, 2022, and the order requires that the difference between interim and the final approved rates is subject to refund within 90 days of the order issuance. The order approves the settlement terms with a return on equity of 9.7% and a common equity ratio of 40.7%. The annualized revenue increase is driven primarily by significant incremental capital investments since the Virginia subsidiary's 2020 rate case order that have been completed or were planned through April 30, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order includes recovery of the Virginia subsidiary's COVID-19 deferral balance. It also includes approval of the accounting deferral of deviations in pension and other postretirement benefits expense from those established in base rates, until the Virginia subsidiary's next base rate case.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement agreement in the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a $138 million annualized increase in water and wastewater revenues, excluding $24 million for previously approved infrastructure filings, and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Pennsylvania subsidiary's COVID-19 deferral balance. The Pennsylvania subsidiary's view of its rate base is $5.1 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) is 10.0% and 44.8%, respectively.

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues, excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $18 million, effective January 1, 2023, based on an authorized return on equity of 9.78%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On June 30, 2023, the Company's Kentucky subsidiary filed a general rate case requesting $26 million in additional annualized revenues, excluding infrastructure surcharges of $10 million. An order is expected in the general rate case by the end of the first quarter of 2024.

On May 1, 2023, the Company's West Virginia subsidiary filed a general rate case requesting $45 million in additional annualized revenues, excluding previously approved infrastructure surcharges of $7 million. The general rate case includes a future test year capturing planned investment through 2025 and an order is expected to be reached by February 25, 2024. On June 30, 2023, the West Virginia subsidiary filed its annual infrastructure surcharge requesting $8 million in additional annualized revenues for planned investment through 2024. The infrastructure surcharge will be aligned with the investments recognized in the general rate case if the future test year is approved.

On March 31, 2023, the Company's Indiana subsidiary filed a general rate case requesting $87 million in additional annualized revenues, excluding $41 million of revenue from infrastructure filings already approved, which includes three step increases, with $43 million of the increase to be included in rates in January 2024, $18 million in May 2024, and $26 million in May 2025. An order is expected in the general rate case by the end of January 2024.

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, all as compared to 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised filing requested additional annualized revenues for the test year 2024 of $37 million, compared to 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	(a)	$ 17
Indiana	(b)	26
Missouri	January 16, 2023	14
Pennsylvania	January 1, 2023	3
West Virginia	January 1, 2023	7
Total infrastructure surcharge authorizations		$ 67

(a) In 2023, $1 million was effective June 29 and $16 million was effective April 29.

(b) In 2023, $20 million was effective March 23 and $6 million was effective March 8.

Pending Infrastructure Surcharge Filings

On March 1, 2023, the Company's Kentucky subsidiary filed an infrastructure surcharge proceeding requesting $4 million in additional annualized revenues. An order is expected in this proceeding in the third quarter of 2023. The infrastructure surcharge will reset to zero once the pending general rate case becomes effective which is expected by the end of the first quarter of 2024.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities ("NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the Company expects a decision by the end of 2023. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
(In millions)				
Operating revenues	$ 1,097	$ 937	$ 2,035	$ 1,779
Operating expenses:				
Operation and maintenance	419	376	812	740
Depreciation and amortization	174	163	346	321
General taxes	73	71	151	145
Other	(1)	—	(1)	—
Total operating expenses, net	665	610	1,308	1,206
Operating income	432	327	727	573
Other income (expense):				
Interest expense	(110)	(106)	(225)	(206)
Interest income	15	12	29	25
Non-operating benefit costs, net	8	20	17	39
Other, net	12	17	23	32
Total other (expense)	(75)	(57)	(156)	(110)
Income before income taxes	357	270	571	463
Provision for income taxes	77	52	121	87
Net income attributable to common shareholders	$ 280	$ 218	$ 450	$ 376

Segment Results of Operations

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates other businesses, primarily MSG, that do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Form 10-Q within "Other." Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. This presentation is consistent with how management assesses the results of these businesses.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
(In millions)				
Operating revenues	$ 1,005	$ 865	$ 1,865	$ 1,643
Operation and maintenance	345	321	675	636
Depreciation and amortization	172	157	341	312
General taxes	68	68	141	136
Other	(1)	—	(1)	—
Other income (expenses)	(70)	(53)	(138)	(97)
Provision for income taxes	73	47	119	83
Net income attributable to common shareholders	$ 278	$ 219	$ 452	$ 379

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
(In millions)				
Water services:				
Residential	$ 554	$ 484	$ 1,015	$ 912
Commercial	198	174	369	327
Fire service	39	37	78	73
Industrial	38	38	76	74
Public and other	83	63	148	122
Total water services	912	796	1,686	1,508
Wastewater services:				
Residential	57	42	111	83
Commercial	16	11	30	21
Industrial	2	1	4	2
Public and other	7	4	13	7
Total wastewater services	82	58	158	113
Other (a)	11	11	21	22
Total operating revenues	$ 1,005	$ 865	$ 1,865	$ 1,643

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(Gallons in millions)	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Billed water services volumes:				
Residential	40,267	38,005	74,075	72,165
Commercial	18,712	18,361	35,548	34,700
Industrial	8,615	9,506	17,455	18,125
Fire service, public and other	13,594	12,448	25,282	24,204
Total billed water services volumes	81,188	78,320	152,360	149,194

For the three months ended June 30, 2023, operating revenues increased $140 million, primarily due to a $110 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states. In addition, operating revenues were higher by $10 million from water and wastewater acquisitions and organic growth in existing systems, as well as an $18 million estimated increase primarily due to drier than normal weather in the second quarter of 2023.

For the six months ended June 30, 2023, operating revenues increased $222 million, primarily due to a $181 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states. In addition, operating revenues were higher by $21 million from water and wastewater acquisitions and organic growth in existing systems, as well as an $18 million estimated increase primarily due to drier than normal weather in the second quarter of 2023.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operation and maintenance expense:

(In millions)	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Employee-related costs	$ 130	$ 126	$ 259	$ 252
Production costs	106	93	199	177
Operating supplies and services	57	55	114	112
Maintenance materials and supplies	21	20	43	42
Customer billing and accounting	16	14	29	27
Other	15	13	31	26
Total	$ 345	$ 321	$ 675	$ 636

For the three and six months ended June 30, 2023, operation and maintenance expense increased $24 million and $39 million, respectively, primarily due to inflationary impacts from increased fuel, power, and chemicals costs and an increase in employee headcount to support growth of the business.

Depreciation and Amortization

For the three and six months ended June 30, 2023, depreciation and amortization increased $15 million and $29 million, respectively, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

Other Income (Expenses)

For the three and six months ended June 30, 2023, other (expenses) increased $17 million and $41 million, respectively, due to higher interest expense as a result of an $800 million long-term debt issuance in May 2022 and higher interest rates on short-term debt. The increase was also due to higher net periodic pension and other postretirement benefit costs in the current period.

Provision for Income Taxes

For the three and six months ended June 30, 2023, the Regulated Businesses' provision for income taxes increased $26 million and $36 million. The Regulated Businesses' effective income tax rate was 20.8% and 17.7% for the three months ended June 30, 2023 and 2022, respectively, and 20.8% and 18.0% for the six months ended June 30, 2023 and 2022, respectively. The increase was primarily due to the decrease in the amortization of EADIT pursuant to regulatory orders. The amortization of EADIT is generally offset with a reduction in revenue.

Other

Presented in the table below is information for Other:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
(In millions)				
Operating revenues	$ 92	$ 72	$ 170	$ 136
Operation and maintenance	74	54	137	104
Depreciation and amortization	2	6	5	9
Interest expense	(20)	(30)	(48)	(60)
Interest income	9	12	22	25
Provision for income taxes	4	5	2	4
Net income (loss) attributable to common shareholders	2	(1)	(2)	(3)

Operating Revenues

For the three and six months ended June 30, 2023, operating revenues increased $20 million and $34 million, respectively, due primarily to the increase in capital projects in MSG, primarily at the United States Military Academy at West Point, New York and revenue for Naval Station Mayport in Jacksonville, Florida, awarded on June 30, 2022, with the performance start date for operation on March 1, 2023.

Operation and Maintenance

For the three and six months ended June 30, 2023, operation and maintenance expense increased $20 million and $33 million, respectively, primarily due to costs associated with the increased capital projects in MSG.

Legislative Updates

During 2023, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of July 26, 2023:

- California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and was effective on January 1, 2023.
- Indiana passed House Bill 1417, which allows for deferred accounting and subsequent recovery through rates of regulatory assets, with or without Indiana Utility Regulatory Commission (the "IURC") approval. There are several requirements: (i) the costs must be deferred as a regulatory asset, (ii) only incremental costs may be deferred, and (iii) the IURC must find the costs to be reasonable and prudent. Legislation was signed by the Governor and became effective on April 20, 2023.
- Indiana passed Senate Bill 180, which allows for consolidated revenue to support post-acquisition capital improvements in wastewater systems via a service enhancement improvement recovery mechanism. Legislation was signed by the Governor and became effective on May 1, 2023.
- Illinois passed House Bill 1105, which provides that property belonging to a public utility that provides water or sewer service may not be taken or damaged by eminent domain without prior approval from the Illinois Commerce Commission. Legislation was signed by the Governor and became effective on June 9, 2023.

- Illinois passed Senate Bill 250 (Public Act 103-0006), which contains supplemental appropriations for the previous fiscal year 2023 and appropriations for fiscal year 2024. This bill contains a $5 million appropriation to the Department of Commerce and Economic Opportunity for purposes of grants pursuant to the Water and Sewer Financial Assistance Act (Public Act 102-262) which was an initiative of the Company's Illinois subsidiary during the 102nd General Assembly. Legislation was signed by the Governor on June 7, 2023, and the appropriation became effective July 1, 2023.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity ("CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or the jurisdiction of the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary ("Cal Am") are the subject of a potential condemnation action by the Monterey Peninsula Water Management District (the "MPWMD") stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider.

By letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requesting access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. Notwithstanding the denial by LAFCO of the MPWMD's application seeking to be a retail water provider, the MPWMD notified Cal Am by letter dated April 3, 2023, of its offer to purchase the Monterey system assets for $448.8 million. On April 28, 2023, Cal Am rejected the MPWMD's offer. The MPWMD has reserved its right to determine whether to acquire the Monterey system assets through the exercise of eminent domain. For more information on the lawsuit against LAFCO, see Item 3—Legal Proceedings in the Form 10-K and Part II, Item 1—Legal Proceedings—Proposed Acquisition of Monterey System Assets—Local Area Formation Commission Litigation in this Form 10-Q.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, for example, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Tax Matters

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to net income when determining AFSI. The Company evaluated the potential impacts of the CAMT provision within the IRA and believes it does not exceed the $1 billion AFSI threshold, and therefore, is not currently subject to CAMT in 2023. The Company is continuing to assess the impact of the initial guidance regarding the application of the CAMT and will continue to monitor as additional guidance is released.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company's Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, future issuances of equity, and, if and to the extent necessary, borrowings under American Water Capital Corp.'s ("AWCC") revolving credit facility.

The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity issuances, in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of a seller promissory note, plus interest, and a contingent cash payment payable upon satisfaction of certain conditions on or before December 31, 2023. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of its common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of AWCC, the wholly owned finance subsidiary of American Water, and for general corporate purposes.

On June 29, 2023, AWCC, issued $1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). AWCC received net proceeds of approximately $1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder is being used for general corporate purposes. See Note 7—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

The Company's revolving credit facility provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support, and to provide for the issuance of up to $150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is $2.60 billion. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods. As of June 30, 2023 and December 31, 2022, there were no borrowings under the revolving credit facility. As of June 30, 2023 and December 31, 2022, there were $75 million and $78 million, respectively, of outstanding letters of credit under the revolving credit facility. At June 30, 2023, there was no outstanding short-term debt as the net proceeds of the Notes were used to repay the short-term commercial paper obligations. At December 31, 2022, the weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41%.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility as of June 30, 2023 and December 31, 2022, as well as the available capacity for each:

	As of June 30, 2023		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	—	(75)	(75)
Remaining availability as of June 30, 2023	$ 2,600	$ 75	$ 2,675

(a) Total remaining availability of $2.68 billion as of June 30, 2023, may be accessed through revolver draws.

	As of December 31, 2022		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	$ 1,423	$ 72	$ 1,495

(a) Total remaining availability of $1.50 billion as of December 31, 2022, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of June 30, 2023 and December 31, 2022, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of June 30, 2023	$ 794	$ 2,675	$ 3,469
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all. See Note 8—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

The Company had entered into eleven 10-year treasury lock agreements, with notional amounts totaling $300 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In June 2023, the Company terminated the treasury lock agreements realizing a net gain of $3 million included in Other, net in the accompanying Consolidated Statements of Operations.

No ineffectiveness was recognized on hedging instruments for the three and six months ended June 30, 2023 or 2022.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

	For the Six Months Ended June 30,	
	2023	2022
(In millions)		
Net income	$ 450	$ 376
Add (less):		
Depreciation and amortization	346	321
Deferred income taxes and amortization of investment tax credits	74	(33)
Other non-cash activities (a)	(34)	(17)
Changes in working capital (b)	(102)	(420)
Pension and non-pension postretirement benefit contributions	(20)	(31)
Net cash provided by operating activities	$ 714	$ 196

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, income tax receivable, accounts payable, accrued liabilities, accrued taxes and other current assets and liabilities, net.

For the six months ended June 30, 2023, cash provided by operating activities increased $518 million, primarily due to changes in deferred taxes and working capital. The change in deferred taxes was driven by the settlement of the deferred tax liability related to the Company's New York regulated operations that was sold in the first quarter of 2022. The changes in working capital were driven by $280 million of estimated tax payments for taxable gains on the sales of the Company's Homeowner Services Group and its New York regulated operations in the first half of 2022.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

	For the Six Months Ended June 30,	
	2023	2022
(In millions)		
Net capital expenditures	$ (1,153)	$ (995)
Acquisitions, net of cash acquired	(33)	(240)
Net proceeds from sale of assets	—	608
Other investing activities, net (a)	(78)	(49)
Net cash used in investing activities	$ (1,264)	$ (676)

(a) Includes removal costs from property, plant and equipment retirements.

For the six months ended June 30, 2023, cash used in investing activities increased $588 million, primarily due to proceeds received from the sale of the Company's New York operations in the first quarter of 2022 and increased payments for capital expenditures and acquisitions. The Company plans to invest approximately $2.9 billion across its footprint in 2023.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

	For the Six Months Ended June 30,	
	2023	2022
(In millions)		
Proceeds from long-term debt	$ 1,160	$ 811
Repayments of long-term debt	(170)	(7)
Net proceeds from common stock financing	1,688	—
Net short-term repayments with maturities less than three months	(1,175)	(164)
Debt issuance costs and make-whole premium on early debt redemption	(13)	(7)
Dividends paid	(257)	(228)
Other financing activities, net (a)	24	36
Net cash provided by financing activities	$ 1,257	$ 441

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment and direct stock purchase plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the six months ended June 30, 2023, cash provided by financing activities increased $816 million, primarily due to the common stock financing and issuance of long-term debt. This was partially offset by repayment in full of the short-term commercial paper obligations during the first half of 2023.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On June 30, 2023, the Company's ratio was 0.56 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of July 26, 2023, as issued by Moody's Investors Service on December 19, 2022, and S&P Global Ratings on February 6, 2023:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. None of the Company's borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, energy, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 6—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

Financial condition of the Company, results of operations and cash flows, as reflected in the Company's Consolidated Financial statements, are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

American Water maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2023.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of June 30, 2023, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Form 10-K in Item 3—Legal Proceedings, and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

On March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing, but adopting its proposed AFUDC for already incurred and future costs. The decision also provides Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings to be scheduled in a Phase 2 to this CPUC proceeding will focus on updated supply and demand estimates for the Water Supply Project.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 final decision and its December 2022 final decision, as amended by its March 30, 2023 rehearing decision.

Water Supply Project Land Acquisition and Slant Well Site Use

The Monterey County Superior Court has reset the trial date to February 21, 2024 for the City of Marina's lawsuit against Cal Am and CEMEX regarding claims of breach of contract and declaratory relief.

Challenges Related to Compliance with California's Sustainable Groundwater Management Act

On May 3, 2023, the City filed a second reverse validation complaint, challenging the adoption of amendments to the GSP for the 180/400 subbasin, which complaint has also been stayed.

Proposed Acquisition of Monterey System Assets — Local Area Formation Commission Litigation

Notwithstanding the denial by LAFCO of the MPWMD's application seeking to be a retail water provider, which is currently being challenged by the MPWMD, the MPWMD notified Cal Am by letter dated April 3, 2023, of its offer to purchase the Monterey system assets for $448.8 million. On April 28, 2023, Cal Am rejected the MPWMD's offer. The MPWMD has reserved its right to determine whether to acquire the Monterey system assets through the exercise of eminent domain.

Dunbar, West Virginia Water Main Break Class Action Litigation

On June 8, 2023, the Petition for Writ of Prohibition filed by WVAWC in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 5, 2022 order was denied. The case will now return to the circuit court for further discovery, rulings and ultimately a class trial on issues relating to duty and breach of that duty. The trial will not find class-wide damages or punitive damages. The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint, and WVAWC is vigorously defending itself against these allegations.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Item 1A—Risk Factors in the Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Item 1A—Risk Factors in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment and direct stock purchase plan and employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended June 30, 2023. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through June 30, 2023, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed December 8, 2022).
4.1	Indenture, dated as of June 29, 2023, among American Water Capital Corp., American Water Works Company, Inc. and U.S. Bank Trust Company, National Association (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed June 29, 2023).
4.2	Form of 3.625% Exchangeable Senior Note due 2026 (included in Exhibit 4.1).
*10.1	First Amendment, dated as of June 21, 2023, to the Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, U.S. Bank National Association, and Bank of America, N.A., as co-documentation agents.
*10.2	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Stock Unit Grant Form for Non-Employee Directors.
*31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 26th day of July, 2023.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

FIRST AMENDMENT TO
THIRD AMENDED AND RESTATED CREDIT AGREEMENT

This First Amendment to Third Amended and Restated Credit Agreement (this "Amendment"), dated as of June 21, 2023, is entered into by and among **AMERICAN WATER CAPITAL CORP.**, a Delaware corporation (the "Borrower"), the Lenders from time to time party hereto (collectively, the "Lenders"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as Administrative Agent for the Lenders.

RECITALS

A. The Borrower, the Lenders, and the Administrative Agent are party to the Third Amended and Restated Credit Agreement, dated as of October 26, 2022 (the "Credit Agreement"). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Credit Agreement as amended by this Amendment.

B. The Borrower has requested that the Lenders amend the Credit Agreement on the terms and conditions set forth herein.

STATEMENT OF AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

AMENDMENTS TO CREDIT AGREEMENT

1.1 Section 6.01 of the Credit Agreement is hereby amended by amending and restating subsection (e) in its entirety as follows (the modifications to such definition indicated textually as bold and double-underlined text):

(e) the Borrower, the Parent or any Significant Subsidiary of the Parent shall fail to pay any principal of or premium or interest on any Debt (excluding Debt evidenced by this Agreement and any Notes, but including, for purposes of this provision, obligations of the Parent under Section 4 of the Support Agreement) in an aggregate amount in excess of (i) $125,000,000, in the case of the Borrower, (ii) $125,000,000, in the case of the Parent or any Significant Subsidiary other than the Borrower or (iii) $250,000,000, in the aggregate, in the case of all of the Significant Subsidiaries of the Parent, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of (with the giving of notice and/or lapse of time, if required), the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; provided that **(1)** if such failure, default, event or condition shall be cured by the Borrower, the Parent or such Significant Subsidiary or waived by the holders of such Debt and any acceleration of maturity having resulted from such failure, default, event or condition shall be rescinded or annulled, in

each case in accordance with the terms of such agreement or instrument, without any modification of the terms of such Debt requiring the Borrower, the Parent or such Significant Subsidiary to furnish additional or other security therefor, furnish additional or other guarantees thereof, reduce the average life to maturity thereof, increase the principal amount thereof or the interest rate thereon, or any agreement by the Borrower, the Parent or such Significant Subsidiary to furnish additional or other security therefor, furnish additional or other guarantees thereof, or to issue Debt in lieu thereof which is secured by additional or other collateral or additional or other guarantees or with a shorter average life to maturity or in a greater principal amount or with a greater interest rate thereon, then any default hereunder by reason thereof shall be deemed likewise to have been thereupon cured or waived unless payment of the Loans hereunder has been accelerated prior to such cure or waiver **or (2) this subsection (e) shall not apply to (A) (x) any event that permits holders of any Debt constituting convertible or exchangeable indebtedness to convert or exchange such Debt; or (y) the conversion or exchange of such Debt, in either case, into Common Stock of the Parent (or other securities or property following a merger event, reclassification or other change of the Common Stock of the Parent), cash (including in lieu of fractional shares of Common Stock of the Parent) or a combination thereof in accordance with the terms thereof; or (B) any termination of any related swap or hedging instrument; or**;

ARTICLE II

CONDITIONS OF EFFECTIVENESS

2.1 The amendment set forth in **ARTICLE I** shall become effective as of the date when, and only when, the Administrative Agent shall have received an executed counterpart of this Amendment from the Borrower and Lenders constituting Required Lenders.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

3.1 To induce the Administrative Agent and the Lenders to enter into this Amendment, the Borrower represents and warrants on and as of the date hereof that: (i) it has taken all necessary action to authorize the execution, delivery and performance of this Amendment, (ii) this Amendment has been duly executed and delivered by the Borrower and constitutes the Borrower's legal, valid and binding obligations, enforceable in accordance with its terms, except to the extent that enforceability of this Amendment may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforceability of creditors' rights generally, (iii) no consent, approval, exemption, order or authorization of, or a registration or filing with, any governmental body, agency or official or any other Person is required by any applicable law or any agreement as a condition to the execution, delivery and carrying out of this Amendment by the Borrower, (iv) the representations and warranties set forth in Article IV of the Credit Agreement are true and correct in all material respects (or if qualified by materiality or material adverse effect or material adverse change, in all respects), (v) both before and after giving effect to this Amendment, no event has occurred

and is continuing which constitutes an Event of Default or Default and (vi) the Obligations are not reduced by this Amendment and are not subject to any offsets, defenses or counterclaims.

ARTICLE IV

ACKNOWLEDGEMENT AND CONFIRMATION

4.1 The Borrower hereby confirms and agrees that, after giving effect to this Amendment, the Credit Agreement and the other Loan Documents to which it is a party remain in full force and effect and enforceable against such party in accordance with their respective terms, as modified hereby, and shall not be discharged, diminished, limited or otherwise affected in any respect.

ARTICLE V

MISCELLANEOUS

5.1 Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

5.2 Loan Document. As used in the Credit Agreement, "hereinafter," "hereto," "hereof," and words of similar import shall, unless the context otherwise requires, mean the Credit Agreement after amendment by this Amendment. Any reference to the Credit Agreement or any of the other Loan Documents herein or in any such documents shall refer to the Credit Agreement and the other Loan Documents as amended hereby. This Amendment is limited to the matters expressly set forth herein, and shall not constitute or be deemed to constitute an amendment, modification or waiver of any provision of the Credit Agreement except as expressly set forth herein. This Amendment shall constitute a Loan Document under the terms of the Credit Agreement.

5.3 Expenses. The Borrower shall pay all reasonable and documented fees and expenses of counsel to the Administrative Agent in connection with the preparation, negotiation, execution and delivery of this Amendment.

5.4 Severability. To the extent any provision of this Amendment is prohibited by or invalid under the applicable law of any jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity and only in any such jurisdiction, without prohibiting or invalidating such provision in any other jurisdiction or the remaining provisions of this Amendment in any jurisdiction.

5.5 Successors and Assigns. This Amendment shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto.

5.6 Construction. The headings of the various sections and subsections of this Amendment have been inserted for convenience only and shall not in any way affect the meaning or construction of any of the provisions hereof.

5.7 Counterparts; Integration. This Amendment may be executed and delivered via facsimile or electronic format with the same force and effect as if an original were executed and may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures hereto were upon the same instrument. The words "executed," "signed," "signature," and words of like import shall be deemed to include electronic signatures

or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act. This Amendment constitutes the entire contract among the parties hereto with respect to the subject matter hereof and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their duly authorized officers as of the date first above written.

AMERICAN WATER CAPITAL CORP.

By: /s/ DAVID M. BOWLER
Name: David M. Bowler
Title: Vice President and Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, an LC Issuing Bank, a Swingline Bank and a Lender

By: /s/ GREGORY R. GREDVIG
Name: Gregory R. Gredvig
Title: Director

JPMORGAN CHASE BANK, N.A., as an LC Issuing Bank, and a Lender

By: /s/ NANCY R. BARWIG
Name: Nancy R. Barwig
Title: Executive Director

BANK OF AMERICA, N.A., as a Lender

By: /s/ DILCIA PĚNA HILL
Name: Dilcia P. Hill
Title: Senior Vice President

MIZUHO BANK, LTD., as a Lender and LC Issuing Bank

By: /s/ EDWARD SACKS
Name: Edward Sacks
Title: Authorized Signatory

ROYAL BANK OF CANADA, as a Lender

By: /s/ MEG DONNELLY
Name: Meg Donnelly
Title: Authorized Signatory

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ JAMES O'SHAUGHNESSY
Name: James O'Shaughnessy
Title: Vice President

TD BANK, N.A., as a Lender

By: /s/ STEVE LEVI
Name: Steve Levi
Title: Senior Vice President

TRUIST BANK, as a Lender

By: /s/ JUSTIN LIEN
Name: Justin Lien
Title: Director

REGIONS BANK, as a Lender

By: /s/ ADAM KRUITHOF
Name: Adam Kruithof
Title: Director

THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ DAVID DEWAR
Name: David Dewar
Title: Director

THE HUNTINGTON NATIONAL BANK, as a Lender

By: /s/ CHRISTOPHER OLSEN
Name: Christopher Olsen
Title: Vice President

THE BANK OF NEW YORK MELLON, as a Lender

By: /s/ MOLLY H. ROSS
Name: Molly H. Ross
Title: Vice President

THE NORTHERN TRUST COMPANY, as a Lender

By: /s/ ANDREW D. HOLTZ
Name: Andrew D. Holtz
Title: Senior Vice President

Exhibit 10.2

AMERICAN WATER WORKS COMPANY, INC.

2017 OMNIBUS EQUITY COMPENSATION PLAN

STOCK UNIT GRANT

This STOCK UNIT GRANT, dated as of May 10, 2023 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Board of Directors of the Company (the "Board") has determined to grant each non-employee director of the Company on the date of the Company's 2023 Annual Meeting of Shareholders a stock unit grant that will be converted to shares of common stock of the Company, par value $0.01 per share, (the "Company Stock") at a later date;

WHEREAS, the Participant is a non-employee director on the Board; and

WHEREAS, the Board has determined that the stock unit grant granted to the Participant shall be issued under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") and the terms and conditions of such stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Stock Units"). Each Stock Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable distribution date, as described in Paragraph 4 below.

2. Stock Unit Account. The Company shall establish and maintain a Stock Unit account as a bookkeeping account on its records (the "Stock Unit Account") for the Participant and shall record in such Stock Unit Account the number of Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Stock Unit Account established for the Participant.

3. Vesting. The Participant shall be fully vested in the Stock Units credited to the Participant's Stock Unit Account pursuant to this Grant on the Date of Grant.

4. Distribution. The Stock Units shall be converted to shares of Company Stock and distributed by the Company within thirty (30) days following the earlier of (i) August 16, 2024 (the "Specified Date") (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), (ii) the Participant's separation from service (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code")) with the Company (the "Separation from Service Date"), or (iii) the date of a Change of Control (as defined below) (the "Change of Control Date"). At the time of distribution, all Stock Units shall be converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of this Grant, the term "Change of Control" shall have the same meaning as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant

unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Code and its corresponding regulations.

5. Deferrals. The Participant may make an irrevocable election to defer the Specified Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Stock Units, plus dividend equivalents earned on such Stock Units as described in Paragraph 6 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the deferred Specified Date cannot be earlier than five (5) years from the original Specified Date under Paragraph 4 (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Specified Date (or twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Specified Date, the Participant must elect to defer 100% of the Stock Units, including corresponding dividend equivalents, granted to the Participant under this Grant and complete the deferral election form provided to the Participant, in the form attached hereto as Exhibit A or as may subsequently modified in the discretion of the Board. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Separation from Service Date or Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant's Stock Units, plus corresponding dividend equivalents, will be made as a result of the occurrence of the Separation from Service Date or Change of Control Date, whichever is earlier. If a Specified Date is delayed one or more times pursuant to this Paragraph 5, the new Specified Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the earlier of the Specified Date (or the Deferred Date, if elected), Separation from Service Date or Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Stock Units credited to the Participant's Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Stock Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Stock Units, and, in the event of a Change of Control, the Board may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law. The Participant also hereby agrees to be bound by the terms and conditions of the Plan and this Grant. The Participant further agrees to be bound by the determinations and decisions of the Board with respect to this Grant and the Plan and the Participant's rights to benefits under this Grant and the Plan, and

agrees that all such determinations and decisions of the Board shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) The obligation of the Company to deliver shares of Company Stock upon the distribution of the Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board. The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(b) As a condition to receive any shares of Company Stock upon conversion of the Stock Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and its Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the distribution of the Stock Units shall not be transferred or disposed of by any means until the Participant owns enough shares of Company Stock, or shares underlying stock units convertible into shares of Company Stock, or time-based restricted Company Stock, to meet or exceed five (5) times the Participant's annual cash retainer, which ownership requirement must be satisfied by the fifth (5th) anniversary of the Participant's commencement of service as a director on the Board.

10. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Board in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Board shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder and the Participant's acceptance of this Grant is the Participant's agreement to be bound by the interpretations and decisions of the Board with respect to this Grant and the Plan.

11. No Rights as Shareholder. The Participant shall not have any rights as a shareholder of the Company, including the right to any cash dividends (except with respect to the

dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Stock Units.

12. No Rights to Continued Service. This Grant shall not confer upon the Participant any right to be retained in the service of the Employer (as defined in the Plan) and shall not interfere in any way with the right to terminate the Participant's service at any time. The right to terminate at will the Participant's service at any time for any reason is specifically reserved.

13. Assignment and Transfers. No Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Stock Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Stock Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

14. Withholding. To the extent required by applicable law, the Participant shall be required to pay to the Company, or make other arrangements satisfactory to the Company to provide for the payment of, any federal, state, local or other taxes that the Company is required to withhold with respect to the Grant, vesting or distribution of the Stock Units and dividend equivalents.

15. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

16. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

17. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the records of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by facsimile, e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means), or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

18. Section 409A of the Code.

(a) This Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered to avoid any penalty sanctions under section 409A of the Code. If any distribution cannot be provided or made at the time specified herein or as elected by the Participant, then such distribution shall be provided in full at the earliest time thereafter when such sanctions cannot be imposed. Except according to a valid election made pursuant to Paragraph 5 above, in no event may the Participant designate the calendar year of distribution.

(b) Notwithstanding any provision to the contrary in this Grant, if any of the distributions under this Grant are payable to the Participant upon separation from service (within the meaning of section 409A of the Code) from the Employer, then if at the time of the Participant's separation from service the Participant is a "specified employee" (as such term is defined in section 409A(2)(B)(i) of the Code and its corresponding regulations) as determined by the Company (or any successor thereto) in its sole discretion in accordance with its specified employee determination policy, then all distributions to the Participant pursuant to this Grant shall be postponed for a period of six (6) months following the Participant's separation from service from the Employer. The postponed amounts shall be distributed to the Participant in a lump sum within thirty (30) days after the date that is six (6) months following the Participant's separation from service from the Employer. If the Participant dies during such six (6)-month period and prior to the distribution of the postponed amounts hereunder, the amounts delayed on account of section 409A of the Code shall be distributed to the personal representative of the Participant's estate within sixty (60) days after the date of the Participant's death, and any amounts not delayed shall be distributed to the personal representative of the Participant's estate in accordance with the terms of this Grant.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick



Its: President and CEO

EXHIBIT A

SUBSEQUENT DEFERRAL ELECTION FORM

PART A. TIME OF DISTRIBUTION

I, _____, (the "Participant") hereby irrevocably elect to have all of the Stock Units, plus corresponding dividend equivalents, (the "Deferred Units") granted to me pursuant to the Stock Unit Grant, dated as of May 10, 2023, (the "Grant") under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") that would have been distributed by American Water Works Company, Inc. to me on the Specified Date (as defined in the Grant), instead be distributed to me on the deferred date designated below (the "Deferred Date"), which date must be at least five (5) years later than the Specified Date, and this election is at least twelve (12) months prior to the Specified Date (to make this deferral election you must defer all of the Stock Units, plus corresponding dividend equivalents, granted to you pursuant the Grant, meaning there is no partial deferral):

Number of Stock Units, and Dividend Equivalents, to be Further Deferred (All Must Be Deferred)	**Original Specified Date** (Election Must Be Made at Least 12 Months Prior to the Specified Date)	**Deferred Date** (Must be a date that is at least 5 years later than the Original Specified Date)
100%	August 16, 2024	

PART B. ACKNOWLEDGMENT

I understand and expressly agree that (i) the Deferred Date for the Deferred Units shall be the date I specified in Part A above (which is a date that is at least five (5) years later than the original Specified Date), and (ii) I will not be entitled to receive distribution of the Deferred Units on an earlier date, except in the event that the Separation from Service Date (as defined in the Grant) or the Change of Control Date (as defined in the Grant) occurs prior to the Deferred Date. I also understand and expressly agree that this deferral election is irrevocable, is being made at least twelve (12) months prior to the original Specified Date, and shall not take effect until twelve (12) months after the date on which I make this election. I further understand and agree that the terms and conditions of the Grant and the Plan are hereby incorporated into this form. Lastly, I understand and agree that this deferral election applies to 100% of the Stock Units, and corresponding dividend equivalents, granted to me pursuant to the Grant.

PARTICIPANT SIGNATURE

Participant: _____ Date: _____

Receipt Acknowledged:

By: _____

Title: _____ Date: _____

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2023

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, John C. Griffith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2023

By: /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

July 26, 2023

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John C. Griffith, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
July 26, 2023

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of April 20, 2023
Common Stock, par value $0.01 per share	**194,643,611**

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* * *

Throughout this Quarterly Report on Form 10-Q ("Form 10-Q"), unless the context otherwise requires, references to the "Company" and "American Water" mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the "parent company" mean American Water Works Company, Inc., without its subsidiaries.

The Company maintains a website at https://amwater.com, an Investor Relations website at https://ir.amwater.com, and a Diversity and Inclusion website at https://diversityataw.com. Information contained on the Company's websites, including its Sustainability Report, its Inclusion, Diversity and Equity Reports, and other reports or documents, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company's future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company's growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company's California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company's ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company's ability to execute its current and long-term business, operational and capital expenditures strategies; the Company's ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets, including the timing and amount of the Company's future public equity issuances; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company's stated environmental and sustainability goals, including its greenhouse gas ("GHG") emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company's actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions or other factors;
- changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;

- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
  - acquiring, closing and successfully integrating regulated operations;
  - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts with the U.S. government; and
  - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS"), including:
  - the Company's ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company under the seller note when due; and
  - the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company's ability to address or mitigate the impacts thereof;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation or regulations, and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom;

- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and/or diverse talent;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	March 31, 2023	December 31, 2022
ASSETS		
Property, plant and equipment	$ 30,214	$ 29,736
Accumulated depreciation	(6,582)	(6,513)
Property, plant and equipment, net	23,632	23,223
Current assets:		
Cash and cash equivalents	213	85
Restricted funds	29	32
Accounts receivable, net of allowance for uncollectible accounts of $55 and $60, respectively	318	334
Income tax receivable	96	114
Unbilled revenues	289	275
Materials and supplies	103	98
Other	290	312
Total current assets	1,338	1,250
Regulatory and other long-term assets:		
Regulatory assets	1,004	990
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	83	82
Goodwill	1,143	1,143
Other	366	379
Total regulatory and other long-term assets	3,316	3,314
Total assets	$ 28,286	$ 27,787

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	March 31, 2023	December 31, 2022
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 200,058,247 and 187,200,539 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	8,519	6,824
Retained earnings	1,437	1,267
Accumulated other comprehensive loss	(23)	(23)
Treasury stock, at cost (5,414,795 and 5,342,477 shares, respectively)	(388)	(377)
Total common shareholders' equity	9,547	7,693
Long-term debt	10,485	10,926
Redeemable preferred stock at redemption value	2	3
Total long-term debt	10,487	10,929
Total capitalization	20,034	18,622
Current liabilities:		
Short-term debt	—	1,175
Current portion of long-term debt	727	281
Accounts payable	193	254
Accrued liabilities	561	706
Accrued taxes	74	49
Accrued interest	114	91
Other	223	255
Total current liabilities	1,892	2,811
Regulatory and other long-term liabilities:		
Advances for construction	321	316
Deferred income taxes and investment tax credits	2,483	2,437
Regulatory liabilities	1,568	1,590
Operating lease liabilities	70	70
Accrued pension expense	215	235
Other	192	202
Total regulatory and other long-term liabilities	4,849	4,850
Contributions in aid of construction	1,511	1,504
Commitments and contingencies (See Note 11)		
Total capitalization and liabilities	$ 28,286	$ 27,787

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations (Unaudited)
(In millions, except per share data)

	For the Three Months Ended March 31,	
	2023	2022
Operating revenues	$ 938	$ 842
Operating expenses:		
Operation and maintenance	393	364
Depreciation and amortization	172	158
General taxes	78	74
Total operating expenses, net	643	596
Operating income	295	246
Other income (expense):		
Interest expense	(115)	(100)
Interest income	14	13
Non-operating benefit costs, net	9	19
Other, net	11	15
Total other (expense) income	(81)	(53)
Income before income taxes	214	193
Provision for income taxes	44	35
Net income attributable to common shareholders	$ 170	$ 158
Basic earnings per share:		
Net income attributable to common shareholders	$ 0.91	$ 0.87
Diluted earnings per share:		
Net income attributable to common shareholders	$ 0.91	$ 0.87
Weighted-average common shares outstanding:		
Basic	186	182
Diluted	186	182

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended March 31,	
	2023	2022
Net income attributable to common shareholders	$ 170	$ 158
Other comprehensive income, net of tax:		
Defined benefit pension plan actuarial loss, net of tax of $0 for the three months ended March 31, 2023 and 2022	—	1
Unrealized loss on cash flow hedges, net of tax of $0 for the three months ended March 31, 2023 and 2022	(2)	—
Unrealized gain on available-for-sale fixed-income securities, net of tax of $0 for the three months ended March 31, 2023 and 2022, respectively	2	—
Net other comprehensive income	—	1
Comprehensive income attributable to common shareholders	$ 170	$ 159

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Three Months Ended March 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 170	$ 158
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	172	158
Deferred income taxes and amortization of investment tax credits	26	(61)
Provision for losses on accounts receivable	3	4
Pension and non-pension postretirement benefits	1	(12)
Other non-cash, net	(36)	(3)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(1)	(6)
Pension and non-pension postretirement benefit contributions	(10)	(19)
Accounts payable and accrued liabilities	(60)	(110)
Accrued taxes	44	113
Other assets and liabilities, net	(24)	(68)
Net cash provided by operating activities	285	154
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(526)	(424)
Acquisitions, net of cash acquired	(4)	(5)
Net proceeds from sale of assets	—	608
Removal costs from property, plant and equipment retirements, net	(31)	(20)
Net cash (used in) provided by in investing activities	(561)	159
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	8	11
Repayments of long-term debt	(4)	(5)
Net proceeds from common stock financing	1,688	—
Net short-term borrowings (repayments) with maturities less than three months	(1,175)	(263)
Advances and contributions in aid of construction, net of refunds of $7 and $3 for the three months ended March 31, 2023 and 2022, respectively	10	21
Dividends paid	(119)	(109)
Other, net	(7)	(8)
Net cash provided by (used in) financing activities	401	(353)
Net increase (decrease) in cash, cash equivalents and restricted funds	125	(40)
Cash, cash equivalents and restricted funds at beginning of period	117	136
Cash, cash equivalents and restricted funds at end of period	$ 242	$ 96
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	$ 338	$ 315

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock					Treasury Stock		
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	Total Shareholders' Equity
Balance as of December 31, 2022	187.4	$ 2	$ 6,824	$ 1,267	$ (23)	(5.4)	$ (377)	$ 7,693
Net income attributable to common shareholders	—	—	—	170	—	—	—	170
Common stock issuances (a)	12.7	—	1,695	—	—	—	(11)	1,684
Net other comprehensive income	—	—	—	—	—	—	—	—
Balance as of March 31, 2023	200.1	$ 2	$ 8,519	$ 1,437	$ (23)	(5.4)	$ (388)	$ 9,547

(a) Includes stock-based compensation, employee stock purchase plan and dividend reinvestment and direct stock purchase plan activity.

	Common Stock					Treasury Stock		
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	Total Shareholders' Equity
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298
Net income attributable to common shareholders	—	—	—	158	—	—	—	158
Common stock issuances (a)	0.2	—	15	—	—	—	(12)	3
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2022	187.1	$ 2	$ 6,796	$ 1,083	$ (44)	(5.3)	$ (377)	$ 7,460

(a) Includes stock-based compensation, employee stock purchase plan and dividend reinvestment and direct stock purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the "Company" or "American Water"), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q ("Form 10-Q"). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of March 31, 2023, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2022 ("Form 10-K"), which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company's operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2023:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023	Prospective	This standard did not have a material impact on the Consolidated Financial Statements
Troubled Debt Restructurings and Vintage Disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings ("TDRs") by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	This standard did not have a material impact on the Consolidated Financial Statements

Property, Plant and Equipment

The New Jersey Economic Development Authority ("NJEDA") determined that the Company was qualified to receive $161 million in tax credits in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The Company was qualified to receive the tax credits over a 10-year period commencing in 2019.

In March 2023, the NJEDA issued the utilization certificate for the 2020 tax credits to the Company in the amount of $16 million. The Company sold these tax credits to external parties in March 2023 for $15 million. As a result, the Company had assets of $32 million and $97 million in Other current assets and Other long-term assets, respectively, on the Consolidated Balance Sheets as of March 31, 2023. The Company has made the necessary annual filing for the years ended December 31, 2021 and 2022.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding.

Presented in the table below are the changes in the allowance for uncollectible accounts for the three months ended March 31:

	2023	2022
Balance as of January 1	$ (60)	$ (75)
Amounts charged to expense	(3)	(4)
Amounts written off	5	8
Other, net (a)	3	(1)
Balance as of March 31	$ (55)	$ (72)

(a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of the excess accumulated deferred income taxes ("EADIT") that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Virginia	April 24, 2023 (a)	$ 11
Pennsylvania	January 28, 2023	138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 229

(a) Interim rates were effective May 1, 2022, and the difference between interim and final approved rates is subject to refund. The Virginia State Corporation Commission issued its final Order on April 24, 2023.

On April 24, 2023, the Virginia State Corporation Commission issued an order approving the settlement of the rate case filed on September 26, 2022, by the Company's Virginia subsidiary. The general rate case order approved an $11 million annualized increase in water and wastewater revenues. Interim rates in this proceeding were effective on May 1, 2022, and the order requires that the difference between interim and the final approved rates is subject to refund within 90 days of the order issuance. The order approves the settlement terms with a return on equity of 9.7% and a common equity ratio of 40.7%. The annualized revenue increase is driven primarily by significant incremental capital investments since the Virginia subsidiary's 2020 rate case order that have been completed or are planned through April 30, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order includes recovery of the Company's Virginia subsidiary's COVID-19 deferral balance. It also includes approval of the accounting deferral of deviations in pension and other postretirement benefits expense from those established in base rates, until the Company's Virginia subsidiary's next base rate case.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement of the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a $138 million annualized increase in water and wastewater revenues, excluding $24 million for previously approved infrastructure filings, and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The rate case proceeding was resolved through a "black box" settlement agreement and did not specify an approved return on equity. The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Company's Pennsylvania subsidiary's COVID-19 deferral balance.

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues, excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $18 million, effective January 1, 2023, based on an authorized return on equity of 9.8%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On March 31, 2023, the Company's Indiana subsidiary filed a general rate case requesting $87 million in additional annualized revenues, excluding $41 million of revenue from infrastructure filings already approved, which includes three step increases, with $43 million of the increase to be included in rates in January 2024, $18 million in May 2024, and $26 million in May 2025. The general rate case is expected to be completed by the end of January 2024.

On July 1, 2022, the Company's Missouri subsidiary filed a general rate case requesting an increase of $105 million in additional annualized revenues, excluding infrastructure surcharges at the time of filing of approximately $40 million. Subsequent to the filing of the general rate case, the Company's Missouri subsidiary filed its semi-annual request for recovery of defined infrastructure investments within its Water and Sewer Infrastructure Rate Adjustment, which adjusted the amount of revenue recovered in the infrastructure surcharges to $51 million and a net annualized revenue increase request of $95 million in the general rate case. On March 3, 2023, a settlement agreement was filed with the Missouri Public Service Commission, reflecting a proposed increase of $44 million in additional annualized revenues, excluding $51 million for infrastructure surcharges. A final decision on this matter is expected in the second quarter of 2023.

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, all as compared to 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised filing requested additional annualized revenues for the test year 2024 of $37 million, compared to 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million.

The Company's California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. On March 21, 2023, the California Public Utilities Commission ("CPUC") issued a decision extending the deadline to August 10, 2023, for the cost of capital proceeding.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
Indiana	(a)	$ 26
Missouri	January 16, 2023	14
Pennsylvania	January 1, 2023	3
West Virginia	January 1, 2023	7
Total infrastructure surcharge authorizations		$ 50

(a) In 2023, $20 million was effective March 23 and $6 million was effective March 8.

Pending Infrastructure Surcharge Filings

On March 15, 2023, the Company's New Jersey subsidiary filed an infrastructure surcharge proceeding requesting $16 million in additional annualized revenues.

On March 1, 2023, the Company's Kentucky subsidiary filed an infrastructure surcharge proceeding requesting $4 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company's California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities ("NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the Company expects a decision by the end of 2023. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Note 4: Revenue Recognition

Disaggregated Revenues

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-Q within "Other."

Presented in the table below are operating revenues disaggregated for the three months ended March 31, 2023:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 460	$ 1	$ 461
Commercial	170	1	171
Fire service	39	—	39
Industrial	38	—	38
Public and other	56	—	56
Total water services	763	2	765
Wastewater services:			
Residential	54	—	54
Commercial	14	—	14
Industrial	2	—	2
Public and other	6	—	6
Total wastewater services	76	—	76
Miscellaneous utility charges	8	—	8
Alternative revenue programs	—	9	9
Lease contract revenue	—	2	2
Total Regulated Businesses	847	13	860
Other	78	—	78
Total operating revenues	$ 925	$ 13	$ 938

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* ("ASC 606"), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the three months ended March 31, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 428	$ —	$ 428
Commercial	153	—	153
Fire service	36	—	36
Industrial	36	—	36
Public and other	57	—	57
Total water services	710	—	710
Wastewater services:			
Residential	41	—	41
Commercial	10	—	10
Industrial	1	—	1
Public and other	3	—	3
Total wastewater services	55	—	55
Miscellaneous utility charges	9	—	9
Alternative revenue programs	—	2	2
Lease contract revenue	—	2	2
Total Regulated Businesses	774	4	778
Other	64	—	64
Total operating revenues	$ 838	$ 4	$ 842

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's Military Services Group ("MSG"), certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $100 million and $86 million are included in unbilled revenues on the Consolidated Balance Sheets as of March 31, 2023 and December 31, 2022, respectively. There were $23 million of contract assets added during the three months ended March 31, 2023, and $9 million of contract assets were transferred to accounts receivable during the same period. There were $18 million of contract assets added during the three months ended March 31, 2022, and $11 million of contract assets were transferred to accounts receivable during the same period.

Contract liabilities of $85 million and $91 million are included in other current liabilities on the Consolidated Balance Sheets as of March 31, 2023 and December 31, 2022, respectively. There were $27 million of contract liabilities added during the three months ended March 31, 2023, and $33 million of contract liabilities were recognized as revenue during the same period. There were $36 million of contract liabilities added during the three months ended March 31, 2022, and $35 million of contract liabilities were recognized as revenue during the same period.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of March 31, 2023, the Company's operation and maintenance ("O&M") and capital improvement contracts in the MSG and the Contract Services Group have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2073 and have RPOs of $7.1 billion as of March 31, 2023, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of $576 million as of March 31, 2023, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures

Regulated Businesses

Closed Acquisitions

During the three months ended March 31, 2023, the Company closed on five acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $3 million, which added approximately 1,400 water and wastewater customers. These transactions were accounted for as asset acquisitions, principally consisting of utility plant.

Pending Acquisitions

On April 6, 2023, the Company's Illinois subsidiary entered into an agreement to acquire the assets of the wastewater treatment plant from the City of Granite City for $83 million, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 26,000 customer connections. The Company expects to close this acquisition by the end of 2023 or early 2024, pending regulatory approval.

Effective March 24, 2023, the Company's Pennsylvania subsidiary acquired the rights to buy the wastewater system assets of the Township of Towamencin, for an aggregate purchase price of $104 million, subject to adjustment as provided in the asset purchase agreement. This system provides wastewater services to approximately 6,300 customer connections in seven townships in Montgomery County, Pennsylvania. The Company expects to close this acquisition by mid-year 2024, pending regulatory approval.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of $232 million in cash, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in 2023.

Note 6: Shareholders' Equity

Common Stock Offering

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of its common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of American Water, and for general corporate purposes.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the three months ended March 31, 2023 and 2022, respectively:

	Defined Benefit Pension Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Loss on Cash Flow Hedges	Gain on Fixed-Income Securities	Accumulated Other Comprehensive Loss
Balance as of December 31, 2022	$ (93)	$ 1	$ 70	$ (1)	$ —	$ (23)
Other comprehensive income (loss) before reclassifications	—	—	—	(2)	2	—
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	—	—
Net other comprehensive income (loss)	—	—	—	(2)	2	—
Balance as of March 31, 2023	$ (93)	$ 1	$ 70	$ (3)	$ 2	$ (23)
Balance as of December 31, 2021	$ (107)	$ 1	$ 67	$ (6)	$ —	$ (45)
Other comprehensive income (loss) before reclassifications	—	—	—	—	—	—
Amounts reclassified from accumulated other comprehensive loss	—	—	1	—	—	1
Net other comprehensive income (loss)	—	—	1	—	—	1
Balance as of March 31, 2022	$ (107)	$ 1	$ 68	$ (6)	$ —	$ (44)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

An unrealized gain (loss) on available-for-sale fixed-income securities is reclassified to net income upon sale of the securities as a realized gain or loss and is included in Other, net in the accompanying Consolidated Statements of Operations.

Dividends

On March 1, 2023, the Company paid a quarterly cash dividend of $0.6550 per share to shareholders of record as of February 7, 2023.

On April 26, 2023, the Company's Board of Directors declared a quarterly cash dividend payment of $0.7075 per share, payable on June 1, 2023, to shareholders of record as of May 9, 2023. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 7: Long-Term Debt

During the three months ended March 31, 2023, the Company's regulated subsidiaries issued in the aggregate $8 million of private activity bonds and government funded debt in multiple transactions with annual interest rates ranging from 0.00% to 0.74%, with a weighted average interest rate of 0.01%, maturing in 2025 through 2041. During the three months ended March 31, 2023, AWCC and the Company's regulated subsidiaries made sinking fund payments for, or repaid at maturity, $4 million in aggregate principal amount of outstanding long-term debt, with annual interest rates ranging from 0.00% to 3.12%, a weighted average interest rate of 1.12%, and maturity dates ranging from 2024 to 2051.

The Company has entered into eleven 10-year treasury lock agreements, with notional amounts totaling $300 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.47%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

No ineffectiveness was recognized on hedging instruments for the three months ended March 31, 2023 or 2022.

Note 8: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility and issuances of equity. The revolving credit facility provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is October 2027. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. As of March 31, 2023 and December 31, 2022, there were no borrowings and $78 million of outstanding letters of credit under the revolving credit facility.

At March 31, 2023, there was no outstanding short-term debt as the proceeds of the common stock offering were used to repay the short-term commercial paper obligations, see Note 6—Shareholders' Equity for additional information relating to the common stock offering.

At December 31, 2022, short-term debt consisting of commercial paper borrowings totaled $1,177 million, or net of discount $1,175 million. The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41% and there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of March 31, 2023		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	—	(78)	(78)
Remaining availability as of March 31, 2023	$ 2,600	$ 72	$ 2,672

(a) Total remaining availability of $2.67 billion as of March 31, 2023, may be accessed through revolver draws.

(In millions)	As of December 31, 2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	$ 1,423	$ 72	$ 1,495

(a) Total remaining availability of $1.50 billion as of December 31, 2022, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of March 31, 2023 and December 31, 2022, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of March 31, 2023	$ 213	$ 2,672	$ 2,885
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580

Note 9: Income Taxes

The Company's effective income tax rate was 20.6% and 18.1% for the three months ended March 31, 2023 and 2022, respectively. The increase in the Company's effective income tax rate for the three months ended March 31, 2023, was primarily due to the decrease in the amortization of EADIT pursuant to regulatory orders. The amortization of EADIT is generally offset with reduction in revenue.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to net income when determining AFSI. During the first quarter of 2023, the Company evaluated the potential impacts of the CAMT provision within the IRA and believes it does not exceed the $1 billion AFSI threshold, and therefore, is not currently subject to CAMT in 2023. The Company is continuing to assess the impact of the initial guidance regarding the application of the CAMT and will continue to monitor as additional guidance is released.

Note 10: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit credit:

	For the Three Months Ended March 31,	
	2023	2022
Components of net periodic pension benefit cost (credit):		
Service cost	$ 4	$ 8
Interest cost	22	16
Expected return on plan assets	(23)	(31)
Amortization of prior service credit	(1)	(1)
Amortization of actuarial loss	4	5
Net periodic pension benefit cost (credit)	$ 6	$ (3)
Components of net periodic other postretirement benefit credit:		
Service cost	$ 1	$ 1
Interest cost	4	3
Expected return on plan assets	(3)	(5)
Amortization of prior service credit	(8)	(8)
Amortization of actuarial loss	1	—
Net periodic other postretirement benefit credit	$ (5)	$ (9)

The Company contributed $10 million and $9 million for the funding of its defined benefit pension plans for the three months ended March 31, 2023 and 2022, respectively. The Company expects to make pension contributions to the plan trusts of $29 million during the remainder of 2023.

There were no contributions for the three months ended March 31, 2023 and $10 million of contributions for the three months ended March 31, 2022 for the funding of the Company's other postretirement benefit plans.

Note 11: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of March 31, 2023, the Company has accrued approximately $6 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $5 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 11—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. On August 26, 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 5, 2022 order. The Writ Petition has been supported by an amicus brief filed by certain water and utility industry trade groups. On February 9, 2023, the Supreme Court of Appeals accepted the Writ Petition by issuing a Rule to Show Cause and scheduling oral argument for April 26, 2023.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order," and, together with the 2009 Order, the "Orders") approving a deadline of December 31, 2021, for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the Orders.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated incurred costs, plus an allowance for funds used during construction ("AFUDC"), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $218 million in aggregate costs as of March 31, 2023 related to the Water Supply Project, which includes $60 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and in November 2021, Cal Am filed an application with the CPUC that sought review and approval of the amended and restated water purchase agreement. Cal Am also requested rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This requested amount is in addition to, and consistent in regulatory treatment with, the prior $50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

On December 5, 2022, the CPUC issued a final decision that authorizes Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately $62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities.

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision. On March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing, but adopting its proposed AFUDC for already incurred and future costs. The decision also provides Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 final decision and its December 2022 final decision, as amended by its March 30, 2023 rehearing decision.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am's appeal of the City's denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

On October 5, 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

On November 18, 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. On December 29, 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency, and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the slant wells. Cal Am is named as a real party in interest. This matter remains pending.

Following the issuance of the coastal development permit, Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2022, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2023 and future years may be impacted by a number of factors, including, without limitation, continued drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The Orders remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the Orders.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

As of March 31, 2023, $0.5 million of the aggregate Settlement amount of $126 million remains reflected in accrued liabilities, and $0.5 million in an offsetting insurance receivable remains reflected in other current assets on the Consolidated Balance Sheets pending resolution of all asserted actual or potential claims associated with this matter. The amount reflected in accrued liabilities reflects the status of the liability and the offsetting insurance receivable reflected in other current assets, each as of as of March 31, 2023.

Note 12: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations:

	For the Three Months Ended March 31,	
	2023	2022
Numerator:		
Net income attributable to common shareholders	$ 170	$ 158
Denominator:		
Weighted-average common shares outstanding—Basic	186	182
Effect of dilutive common stock equivalents	—	—
Weighted-average common shares outstanding—Diluted	186	182

The effect of dilutive common stock equivalents is related to outstanding restricted stock units ("RSUs") and performance stock units ("PSUs") granted under the Company's 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company's 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three months ended March 31, 2023 and 2022, because their effect would have been anti-dilutive under the treasury stock method.

Note 13: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Seller promissory note from the sale of the Homeowner Services Group ("HOS") — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note, included as part of the consideration from the sale of HOS, is $720 million as of March 31, 2023 and December 31, 2022. This amount represents the principal amount owed under the seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the seller note approximated $696 million and $686 million as of March 31, 2023 and December 31, 2022, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The seller note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of March 31, 2023				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt (excluding finance lease obligations)	11,211	8,814	50	1,440	10,304

	As of December 31, 2022				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt (excluding finance lease obligations)	11,207	8,599	49	1,427	10,075

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of March 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 29	$ —	$ —	$ 29
Rabbi trust investments	20	—	—	20
Deposits	8	—	—	8
Other investments				
Money market and other	54	—	—	54
Fixed-Income Securities	148	7	—	155
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	259	7	72	338
Liabilities:				
Deferred compensation obligations	24	—	—	24
Mark-to-market derivative liability	—	2	—	2
Total liabilities	24	2	—	26
Total assets	$ 235	$ 5	$ 72	$ 312

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 32	$ —	$ —	$ 32
Rabbi trust investments	21	—	—	21
Deposits	7	—	—	7
Other investments				
Money market and other	61	—	—	61
Fixed-Income Securities	147	6	—	153
Contingent cash payment from the sale of HOS	—	—	72	72
Mark-to-market derivative asset	—	1	—	1
Total assets	268	7	72	347
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	$ 244	$ 7	$ 72	$ 323

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of treasury lock agreements, classified as cash flow hedges, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments—The Company maintains a Voluntary Employees' Beneficiary Association trust for purposes of paying active union employee medical benefits ("Active VEBA"). The investments in the Active VEBA trust primarily consist of money market funds and available-for-sale fixed income securities.

The money market and other investments have original maturities of three months or less when purchased. The fair value measurement of the money market and other investments is based on observable market prices and therefore included in the recurring fair value measurements hierarchy as Level 1.

The available-for-sale fixed income securities are primarily investments in U.S. Treasury securities and government bonds. The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets. Certain U.S. Treasury securities are based on prices that reflect observable market information, such as actual trade information of similar securities, and are therefore categorized as Level 2, because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate.

The Company includes other investments measured and recorded at fair value on the Consolidated Balance Sheets of $64 million and $67 million in Other current assets, as of March 31, 2023 and December 31, 2022, respectively, and $146 million and $147 million in Other long-term assets, as of March 31, 2023 and December 31, 2022, respectively. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income until realized.

The following tables summarize the unrealized positions for available-for-sale fixed income securities as of March 31, 2023 and December 31, 2022:

	As of March 31, 2023			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 153	$ 6	$ 4	$ 155

	As of December 31, 2022			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 153	$ —	$ —	$ 153

The fair value of the Company's available-for-sale fixed income securities, summarized by contractual maturities, as of March 31, 2023, is as follows:

	Amount
Other investments - Available-for-sale fixed-income securities	
Less than one year	$ 61
1 year - 5 years	80
5 years - 10 years	3
Greater than 10 years	11
Total	$ 155

Contingent cash payment from the sale of HOS—The Company's contingent cash payment derivative included as part of the consideration from the sale of HOS, payable upon satisfaction of certain conditions on or before December 31, 2023, is included in other current assets on the Consolidated Balance Sheets. The accounting fair value measurement of the contingent cash payment approximated $72 million, which is reflective of changes in the benchmark interest rate and estimated using the probability of the outcome of receipt of the $75 million, a Level 3 input.

Note 14: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's right-of-use ("ROU") assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 37 years, five years, and four years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $144 million and $145 million as of March 31, 2023 and December 31, 2022, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and are excluded from the lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $3 million in 2023, $4 million in 2024 through 2027, and $45 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating leases were $3 million and $3 million for each of the three months ended March 31, 2023 and March 31, 2022, respectively.

For the three months ended March 31, 2023, cash paid for amounts in lease liabilities, which includes operating cash flows from operating leases, were $3 million. For the three months ended March 31, 2023, there were ROU assets obtained in exchange for new operating lease liabilities of $2 million.

As of March 31, 2023, the weighted-average remaining lease term of the operating leases was 17 years, and the weighted-average discount rate of the operating leases was 4%.

The future maturities of lease liabilities as of March 31, 2023 were $8 million in 2023, $9 million in 2024, $9 million in 2025, $8 million in 2026, $6 million in 2027, and $76 million thereafter. As of March 31, 2023, imputed interest was $38 million.

Note 15: Segment Information

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment also includes inter-segment revenues, costs and interest which are eliminated to reconcile to the Consolidated Statements of Operations.

The Company also operates other businesses, primarily MSG, that do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Form 10-Q within "Other," which is consistent with how management assesses the results of these businesses. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

The seller promissory note from the sale of HOS has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized $13 million of interest income from the seller note for each of the three months ended March 31, 2023 and 2022.

The Company recognized $3 million and $2 million of income during the three months ended March 31, 2023 and 2022, respectively, from the revenue share agreements from the sale of HOS, which is included in Other, net on the Consolidated Statements of Operations.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended March 31, 2023		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 860	$ 78	$ 938
Depreciation and amortization	169	3	172
Total operating expenses, net	572	71	643
Interest expense	(87)	(28)	(115)
Interest income	1	13	14
Provision (benefit) for income taxes	46	(2)	44
Net income (loss) attributable to common shareholders	174	(4)	170
Total assets	25,626	2,660	28,286
Cash paid for capital expenditures	524	2	526

	As of or for the Three Months Ended March 31, 2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 778	$ 64	$ 842
Depreciation and amortization	155	3	158
Total operating expenses, net	538	58	596
Interest expense	(70)	(30)	(100)
Interest income	—	13	13
Provision (benefit) for income taxes	36	(1)	35
Net income (loss) attributable to common shareholders	160	(2)	158
Total assets	22,973	2,721	25,694
Cash paid for capital expenditures	422	2	424

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company's Form 10-K for the year ended December 31, 2022. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements" and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). The Company also operates other businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-Q within "Other." See Part I, Item 1—Business in the Company's Form 10-K for additional information.

Financial Results

For the three months ended March 31, 2023, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), were $0.91, an increase of $0.04, as compared to the same period in the prior year. This increase was primarily driven by the implementation of new rates in the Regulated Businesses for the recovery of capital and acquisition investments, offset somewhat by impacts from inflationary pressures on production costs and higher interest costs.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. The Company plans to invest approximately $2.9 billion across its footprint in 2023. During the first three months of 2023, the Company invested $538 million, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- $532 million capital investment in the Regulated Businesses, the substantial majority for infrastructure improvements and replacements; and
- $3 million to fund acquisitions in the Regulated Businesses, which added approximately 1,400 customers, in addition to approximately 4,000 customers added through organic growth.

Effective March 24, 2023, the Company's Pennsylvania subsidiary acquired the rights to buy the wastewater system assets of the Township of Towamencin, for an aggregate purchase price of $104 million, subject to adjustment as provided in the asset purchase agreement. This system provides wastewater services to approximately 6,300 customer connections in seven townships in Montgomery County, Pennsylvania. The Company expects to close this acquisition by mid-year 2024, pending regulatory approval.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of $232 million in cash, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in 2023.

As of March 31, 2023, the Company has entered into 27 agreements for pending acquisitions in the Regulated Businesses, including the agreements discussed above, to add approximately 48,200 additional customers.

On April 6, 2023, the Company's Illinois subsidiary entered into an agreement to acquire the assets of the wastewater treatment plant from the City of Granite City for $83 million, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 26,000 customer connections. The Company expects to close this acquisition by the end of 2023 or early 2024, pending regulatory approval.

Other Matters

Environmental, Health and Safety, and Water Quality Regulation

On March 14, 2023, the United States Environmental Protection Agency ("EPA") announced the proposed National Primary Drinking Water Regulation ("NPDWR") for six per- and polyfluoroalkyl substances ("PFAS") including perfluorooctanoic acid ("PFOA"), perfluorooctane sulfonic acid ("PFOS"), perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid ("HFPO-DA", commonly known as "GenX Chemicals"), perfluorohexane sulfonic acid ("PFHxS"), and perfluorobutane sulfonic acid ("PFBS"). The proposed regulations would establish legally enforceable levels for PFAS in drinking water. While the Company has been anticipating the rulemaking, the Company is carefully reviewing the NPDWR to assess the four parts per trillion requirements for PFAS and the application of the Hazard Index approach for PFNA, PFBS, PFHxS, and GenX Chemicals. The Company's review will inform the comments on the proposed rulemaking it plans to submit to the EPA by May 30, 2023.

The Company is evaluating the estimated capital expenditures for additional treatment over the next three to five years, including additional estimated operating expenses. The Company supports sound policies that will ensure compliance by all water utilities while protecting customers and communities from the costly burden of monitoring and mitigating PFAS. The Company continues to strongly advocate for policies that hold polluters accountable and is currently part of Multi-District Litigation against multiple PFAS manufacturers to ensure that the ultimate responsibility for the cleanup of these contaminants is attributed to the polluters.

Operational Excellence

The Company's adjusted regulated operation and maintenance ("O&M") efficiency ratio was 33.6% for the twelve months ended March 31, 2023, as compared to 33.9% for the twelve months ended March 31, 2022. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below, as well as the continued focus on operating costs.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

	For the Twelve Months Ended March 31,	
(Dollars in millions)	**2023**	**2022**
Total operation and maintenance expenses	$ 1,619	$ 1,723
Less:		
Operation and maintenance expenses—Other	258	403
Total operation and maintenance expenses—Regulated Businesses	1,361	1,320
Less:		
Regulated purchased water expenses	153	155
Allocation of non-operation and maintenance expenses	26	29
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,182	$ 1,136
Total operating revenues	$ 3,889	$ 3,881
Less:		
Operating revenues—Other	302	474
Total operating revenues—Regulated Businesses	3,587	3,407
Less:		
Regulated purchased water revenues (a)	153	155
Revenue reductions from the amortization of EADIT	(85)	(102)
Adjusted operating revenues—Regulated Businesses (ii)	$ 3,519	$ 3,354
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.6 %	33.9 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of the EADIT that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Virginia	April 24, 2023 (a)	$ 11
Pennsylvania	January 28, 2023	138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 229

(a) Interim rates were effective May 1, 2022, and the difference between interim and final approved rates is subject to refund. The Virginia State Corporation Commission issued its final Order on April 24, 2023.

On April 24, 2023, the Virginia State Corporation Commission issued an order approving the settlement of the rate case filed on September 26, 2022, by the Company's Virginia subsidiary. The general rate case order approved an $11 million annualized increase in water and wastewater revenues. Interim rates in this proceeding were effective on May 1, 2022, and the order requires that the difference between interim and the final approved rates is subject to refund within 90 days of the order issuance. The order approves the settlement terms with a return on equity of 9.7% and a common equity ratio of 40.7%. The annualized revenue increase is driven primarily by significant incremental capital investments since the Virginia subsidiary's 2020 rate case order that have been completed or are planned through April 30, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order includes recovery of the Company's Virginia subsidiary's COVID-19 deferral balance. It also includes approval of the accounting deferral of deviations in pension and other postretirement benefits expense from those established in base rates, until the Company's Virginia subsidiary's next base rate case.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement of the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a $138 million annualized increase in water and wastewater revenues, excluding $24 million for previously approved infrastructure filings, and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The rate case proceeding was resolved through a "black box" settlement agreement and did not specify an approved return on equity. The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Company's Pennsylvania subsidiary's COVID-19 deferral balance.

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues, excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $18 million, effective January 1, 2023, based on an authorized return on equity of 9.8%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On March 31, 2023, the Company's Indiana subsidiary filed a general rate case requesting $87 million in additional annualized revenues, excluding $41 million of revenue from infrastructure filings already approved, which includes three step increases, with $43 million of the increase to be included in rates in January 2024, $18 million in May 2024, and $26 million in May 2025. The general rate case is expected to be completed by the end of January 2024.

On July 1, 2022, the Company's Missouri subsidiary filed a general rate case requesting an increase of $105 million in additional annualized revenues, excluding infrastructure surcharges at the time of filing of approximately $40 million. Subsequent to the filing of the general rate case, the Company's Missouri subsidiary filed its semi-annual request for recovery of defined infrastructure investments within its Water and Sewer Infrastructure Rate Adjustment, which adjusted the amount of revenue recovered in the infrastructure surcharges to $51 million and a net annualized revenue increase request of $95 million in the general rate case. On March 3, 2023, a settlement agreement was filed with the Missouri Public Service Commission, reflecting a proposed increase of $44 million in additional annualized revenues, excluding $51 million for infrastructure surcharges. A final decision on this matter is expected in the second quarter of 2023.

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, all as compared to 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised filing requested additional annualized revenues for the test year 2024 of $37 million, compared to 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million.

The Company's California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. On March 21, 2023, the California Public Utilities Commission ("CPUC") issued a decision extending the deadline to August 10, 2023, for the cost of capital proceeding.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
Indiana	(a)	$ 26
Missouri	January 16, 2023	14
Pennsylvania	January 1, 2023	3
West Virginia	January 1, 2023	7
Total infrastructure surcharge authorizations		$ 50

(a) In 2023, $20 million was effective March 23 and $6 million was effective March 8.

Pending Infrastructure Surcharge Filings

On March 15, 2023, the Company's New Jersey subsidiary filed an infrastructure surcharge proceeding requesting $16 million in additional annualized revenues.

On March 1, 2023, the Company's Kentucky subsidiary filed an infrastructure surcharge proceeding requesting $4 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company's California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities ("NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the Company expects a decision by the end of 2023. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Three Months Ended March 31,	
	2023	2022
(In millions)		
Operating revenues	$ 938	$ 842
Operating expenses:		
Operation and maintenance	393	364
Depreciation and amortization	172	158
General taxes	78	74
Total operating expenses, net	643	596
Operating income	295	246
Other income (expense):		
Interest expense	(115)	(100)
Interest income	14	13
Non-operating benefit costs, net	9	19
Other, net	11	15
Total other (expense) income	(81)	(53)
Income before income taxes	214	193
Provision for income taxes	44	35
Net income attributable to common shareholders	$ 170	$ 158

Segment Results of Operations

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates other businesses, primarily MSG, that do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Form 10-Q within "Other." Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. This presentation is consistent with how management assesses the results of these businesses.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Three Months Ended March 31,	
	2023	2022
(In millions)		
Operating revenues	$ 860	$ 778
Operation and maintenance	330	315
Depreciation and amortization	169	155
General taxes	73	68
Other income (expenses)	(68)	(44)
Provision for income taxes	46	36
Net income attributable to common shareholders	174	160

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Three Months Ended March 31,	
	2023	2022
(In millions)		
Water services:		
Residential	$ 461	$ 428
Commercial	171	153
Fire service	39	36
Industrial	38	36
Public and other	65	59
Total water services	774	712
Wastewater services:		
Residential	54	41
Commercial	14	10
Industrial	2	1
Public and other	6	3
Total wastewater services	76	55
Other (a)	10	11
Total operating revenues	$ 860	$ 778

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(Gallons in millions)	For the Three Months Ended March 31, 2023	2022
Billed water services volumes:		
Residential	33,808	34,160
Commercial	16,836	16,339
Industrial	8,840	8,619
Fire service, public and other	11,688	11,756
Total billed water services volumes	71,172	70,874

For the three months ended March 31, 2023, operating revenues increased $82 million, primarily due to a $71 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states and an $11 million increase from water and wastewater acquisitions, as well as organic growth in existing systems.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operation and maintenance expense:

(In millions)	For the Three Months Ended March 31, 2023	2022
Employee-related costs	$ 129	$ 126
Production costs	93	84
Operating supplies and services	57	57
Maintenance materials and supplies	22	22
Customer billing and accounting	13	13
Other	16	13
Total	$ 330	$ 315

For the three months ended March 31, 2023, operation and maintenance expense increased $15 million, primarily due to inflationary pressures which resulted in increased fuel, power, and chemicals costs.

Depreciation and Amortization

For the three months ended March 31, 2023, depreciation and amortization increased $14 million, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

For the three months ended March 31, 2023, general taxes increased $5 million, primarily due to an increase in the New Jersey Gross Receipts Tax and incremental property taxes.

Other Income (Expenses)

For the three months ended March 31, 2023, other (expenses) increased $24 million, primarily due to higher interest expense as a result of an $800 million long-term debt issuance in May 2022 and higher interest rates on short-term debt. The increase was also due to higher net periodic pension and other postretirement benefit costs in the current period.

Provision for Income Taxes

For the three months ended March 31, 2023, the Regulated Businesses' provision for income taxes increased $10 million. The Regulated Businesses' effective income tax rate was 20.9% and 18.4% for the three months ended March 31, 2023 and 2022, respectively. The increase was primarily due to the decrease in the amortization of EADIT pursuant to regulatory orders. The amortization of EADIT is generally offset with a reduction in revenue.

Other

Presented in the table below is information for Other:

(In millions)	For the Three Months Ended March 31, 2023	2022
Operating revenues	$ 78	$ 64
Operation and maintenance	63	50
Depreciation and amortization	3	3
Interest expense	(28)	(30)
Interest income	13	13
Provision (benefit) for income taxes	(2)	(1)
Net loss attributable to common shareholders	(4)	(2)

Operating Revenues

For the three months ended March 31, 2023, operating revenues increased $14 million, due primarily to the increase in capital projects in MSG, primarily at the United States Military Academy at West Point, New York and revenue for Naval Station Mayport in Jacksonville, Florida, awarded on June 30, 2022, with the performance start date for operation on March 1, 2023.

Operation and Maintenance

For the three months ended March 31, 2023, operation and maintenance expense increased $13 million, primarily due to cost associated with increased capital projects in MSG and expenses for Naval Station Mayport, as discussed above.

Legislative Updates

During 2023, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of April 26, 2023:

- California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022 and was effective on January 1, 2023.

- Indiana passed House Bill 1417, which allows for deferred accounting and subsequent recovery through rates of regulatory assets, with or without Indiana Utility Regulatory Commission (the "IURC") approval. There are several requirements: (i) the costs must be deferred as a regulatory asset, (ii) only incremental costs may be deferred, and (iii) the IURC must find the costs to be reasonable and prudent. Legislation was signed by the Governor and became effective on April 20, 2023.

During 2023, the Company's regulatory jurisdictions passed the following legislation, which is not yet effective as of April 26, 2023:

- Indiana passed Senate Bill 180, which allows for consolidated revenue to support post-acquisition capital improvements in wastewater systems via a service enhancement improvement recovery mechanism.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity ("CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or the jurisdiction of the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary ("Cal Am") are the subject of a potential condemnation action by the Monterey Peninsula Water Management District (the "MPWMD") stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider.

By letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requesting access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. Notwithstanding the denial by LAFCO of the MPWMD's application seeking to be a retail water provider, the MPWMD notified Cal Am by letter dated April 3, 2023, of its offer to purchase the Monterey system assets for $448.8 million. Cal Am's response is due by April 30, 2023, and it currently plans to reject the offer. The MPWMD has reserved its right to determine whether to acquire the Monterey system assets through the exercise of eminent domain. For more information on the lawsuit against LAFCO, see Item 3—Legal Proceedings in the Form 10-K and Part II, Item 1—Legal Proceedings—Proposed Acquisition of Monterey System Assets—Local Area Formation Commission Litigation in this Form 10-Q.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. During a valuation trial held in January 2023, the parties settled the lawsuit and the water agency dismissed the eminent domain case, and as a result the Company will retain the pipeline. As part of the dismissal, the Company's Illinois subsidiary and another subsidiary entered into a settlement agreement with the water agency agreeing to, among other things, maintain through December 31, 2027, the utility-specific wholesale water rate passed through to customers of the pipeline, such that the rate, exclusive of other pass-through charges, remains no higher than the current rate.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, for example, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Tax Matters

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to net income when determining AFSI. During the first quarter of 2023, the Company evaluated the potential impacts of the CAMT provision within the IRA and believes it does not exceed the $1 billion AFSI threshold, and therefore, is not currently subject to CAMT in 2023. The Company is continuing to assess the impact of the initial guidance regarding the application of the CAMT and will continue to monitor as additional guidance is released.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company's Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, and, if and to the extent necessary, borrowings under American Water Capital Corp.'s ("AWCC") revolving credit facility, and issuances of equity.

The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity issuances, in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of a seller promissory note, plus interest, and a contingent cash payment payable upon satisfaction of certain conditions on or before December 31, 2023. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of its common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of AWCC, the wholly owned finance subsidiary of American Water, and for general corporate purposes.

The Company's revolving credit facility provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support, and to provide for the issuance of up to $150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is $2.60 billion. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million. As of March 31, 2023 and December 31, 2022, there were no borrowings and $78 million of outstanding letters of credit under the revolving credit facility. At March 31, 2023, there was no outstanding short-term debt as the proceeds of the equity securities offering were used to repay the short-term commercial paper obligations. At December 31, 2022, the weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41%.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility as of March 31, 2023 and December 31, 2022, as well as the available capacity for each:

	As of March 31, 2023		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	—	(78)	(78)
Remaining availability as of March 31, 2023	$ 2,600	$ 72	$ 2,672

(a) Total remaining availability of $2.67 billion as of March 31, 2023, may be accessed through revolver draws.

	As of December 31, 2022		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	$ 1,423	$ 72	$ 1,495

(a) Total remaining availability of $1.50 billion as of December 31, 2022, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of March 31, 2023 and December 31, 2022, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of March 31, 2023	$ 213	$ 2,672	$ 2,885
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all. See Note 8—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

The Company has entered into eleven 10-year treasury lock agreements, with notional amounts totaling $300 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.47%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

No ineffectiveness was recognized on hedging instruments for the three months ended March 31, 2023 or 2022.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

	For the Three Months Ended March 31,	
(In millions)	2023	2022
Net income	$ 170	$ 158
Add (less):		
Depreciation and amortization	172	158
Deferred income taxes and amortization of investment tax credits	26	(61)
Other non-cash activities (a)	(32)	(11)
Changes in working capital (b)	(41)	(71)
Pension and non-pension postretirement benefit contributions	(10)	(19)
Net cash provided by operating activities	$ 285	$ 154

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable, accrued liabilities, accrued taxes, and other current assets and liabilities, net.

For the three months ended March 31, 2023, cash provided by operating activities increased $131 million, primarily due to changes in deferred taxes and working capital. The change in deferred taxes was driven by the settlement of the deferred tax liability related to the Company's New York regulated operations that was sold in the first quarter of 2022. Partially offset by the change in other non-cash activities including activity in regulatory accounts and pension and non-pension postretirement benefits.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

	For the Three Months Ended March 31,	
	2023	2022
(In millions)		
Net capital expenditures	$ (526)	$ (424)
Acquisitions, net of cash acquired	(4)	(5)
Net proceeds from sale of assets	—	608
Other investing activities, net (a)	(31)	(20)
Net cash (used in) provided by investing activities	$ (561)	$ 159

(a) Includes removal costs from property, plant and equipment retirements.

For the three months ended March 31, 2023, cash used in investing activities increased $720 million, primarily due to proceeds received from the sale of the Company's New York operations in the first quarter of 2022 and increased payments for capital expenditures and acquisitions. The Company plans to invest approximately $2.9 billion across its footprint in 2023.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

	For the Three Months Ended March 31,	
	2023	2022
(In millions)		
Proceeds from long-term debt	$ 8	$ 11
Repayments of long-term debt	(4)	(5)
Net proceeds from common stock financing	1,688	—
Net short-term borrowings (repayments) with maturities less than three months	(1,175)	(263)
Dividends paid	(119)	(109)
Other financing activities, net (a)	3	13
Net cash provided by (used in) financing activities	$ 401	$ (353)

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment and direct stock purchase plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the three months ended March 31, 2023, cash provided by financing activities increased $754 million, primarily due to the common stock offering. This was partially offset by repayment in full of the short-term commercial paper obligations during the first quarter of 2023.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On March 31, 2023, the Company's ratio was 0.54 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of April 26, 2023, as issued by Moody's Investors Service on December 19, 2022, and S&P Global Ratings on February 6, 2023:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. None of the Company's borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, energy, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 6—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

Financial condition of the Company, results of operations and cash flows, as reflected in the Company's Consolidated Financial statements, are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

American Water maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of March 31, 2023.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of March 31, 2023, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended March 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Form 10-K in Item 3—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

On March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing, but adopting its proposed AFUDC for already incurred and future costs. The decision also provides Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 final decision and its December 2022 final decision, as amended by its March 30, 2023 rehearing decision.

Test Slant Well Permitting

The application for extension of the State Lands Commission lease was approved, and the lease will now expire on December 16, 2027.

Proposed Acquisition of Monterey System Assets — Local Area Formation Commission Litigation

Notwithstanding the denial by LAFCO of the MPWMD's application seeking to be a retail water provider, which is currently being challenged by the MPWMD, the MPWMD notified Cal Am by letter dated April 3, 2023, of its offer to purchase the Monterey system assets for $448.8 million. Cal Am's response is due by April 30, 2023, and it currently plans to reject the offer. The MPWMD has reserved its right to determine whether to acquire the Monterey system assets through the exercise of eminent domain.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Item 1A—Risk Factors in the Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Item 1A—Risk Factors in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment and direct stock purchase plan and employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended March 31, 2023. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through March 31, 2023, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed December 8, 2022).
*10.1	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Restricted Stock Unit Grant.
*10.2	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Restricted Stock Unit Grant (for CEO, CFO and COO).
*10.3	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form A-1.
*10.4	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form A-2 (for CEO, CFO and COO).
*10.5	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form B-1.
*10.6	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form B-2 (for CEO, CFO and COO).
*31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 26th day of April, 2023.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 10.1

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 14, 2023 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2023 Long Term Performance Plan ("2023 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTPP and to grant the Participant an Equity Award under the 2023 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2023 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraph (c) below, the Restricted Stock Units shall vest on the following dates (each a "Service Date"), provided the Participant continues to be

employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Service Date	Units Vesting
January 31, 2024	1/3
January 31, 2025	1/3
January 31, 2026	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2026, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraph (c) below, if at any time prior to January 31, 2026, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If at any time prior to January 31, 2026, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined below), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change

of Control. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan.

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were

credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be immediately forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in Paragraph 3(c) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment

policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock

Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick



Its: President and CEO

Exhibit 10.2

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 14, 2023 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2023 Long Term Performance Plan ("2023 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTPP and to grant the Participant an Equity Award under the 2023 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2023 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraphs (c), (d), and (e) below, the Restricted Stock Units shall vest on the following dates (each a "Service Date"), provided the Participant

continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Service Date	Units Vesting
January 31, 2024	1/3
January 31, 2025	1/3
January 31, 2026	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2026, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraphs (c), (d), and (e) below, if at any time prior to January 31, 2026, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If prior to January 31, 2026, the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Normal Retirement in accordance with the schedule set forth in subparagraph 3(a). For purposes of this Grant, (i) "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause (as defined below)) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof and (ii) "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(d) If prior to January 31, 2026, the Participant's employment or service with the Employer terminates on account of Early Retirement (as defined below), then 75% of the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Early Retirement in accordance with the schedule set forth in subparagraph 3(a) and the remaining 25% of the portion of the Restricted Stock Units that have not vested as of the Participant's Early Retirement shall be immediately forfeited. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full

calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(e) If at any time prior to January 31, 2026, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in 3(c)), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of clarity, if any Restricted Stock Units become vested pursuant to subparagraphs 3(c) or 3(d) above as a result of termination of employment or service with the Employer on account of Normal Retirement or Early Retirement, the Redemption Date for such vested Restricted Stock Units shall be the applicable Service Date or Change of Control Date to which such Restricted Stock Units would have been redeemed if the Participant had remained in the employment or service of the Employer (i.e., the Redemption Date continues to be the originally scheduled Service Date as provided in subparagraph 3(a) above or the Change of Control Date, if earlier, and is not accelerated to an earlier Service Date or to the date on which the termination of employment or service occurs).

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units

as described in Paragraph 6 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be immediately forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in subparagraph 3(e) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of

the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national

overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

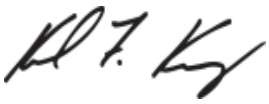
19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Board Chair

Exhibit 10.3

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2023 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2023 Long Term Performance Plan ("2023 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTPP and to grant the Participant an Equity Award under the 2023 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2023 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goal described in Paragraph 3 below (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal

described in subparagraph (b) below for the Performance Period (the "Performance Goal") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the Peer Group companies set forth in Exhibit A attached hereto over the Performance Period (as defined below). The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

[INSERT RELATIVE TSR PERFORMANCE CURVE HERE]

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2022, and December 31, 2025, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$\text{TSR} = \frac{(\text{Dividend Adjusted Ending Stock Price} - \text{Dividend Adjusted Initial Stock Price})}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are

assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2023 and ending December 31, 2025, and the term "Peer Group" shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(e), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2025, but prior to January 31, 2026; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2026. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 31, 2024 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any

portion of the Performance Units, irrespective of the level of achievement of the Performance Goal. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2026 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2023 LTPP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the

dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented

by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does

not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick



Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

[INSERT LIST OF PEER GROUP COMPANIES HERE]

Exhibit 10.4

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2023 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2023 Long Term Performance Plan ("2023 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTPP and to grant the Participant an Equity Award under the 2023 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2023 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goal described in Paragraph 3 below (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal

described in subparagraph (b) below for the Performance Period (the "Performance Goal") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the Peer Group companies set forth in Exhibit A attached hereto over the Performance Period (as defined below). The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

[INSERT RELATIVE TSR PERFORMANCE CURVE HERE]

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2022, and December 31, 2025, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$\text{TSR} = \frac{(\text{Dividend Adjusted Ending Stock Price} - \text{Dividend Adjusted Initial Stock Price})}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are

assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2023 and ending December 31, 2025, and the term "Peer Group" shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(e), 4(b), or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2025, but prior to January 31, 2026; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2026. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has

attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2024 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goal. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2026 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2023 LTPP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim

any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to

withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any

notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

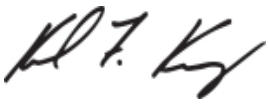
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Board Chair

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

[INSERT LIST OF PEER GROUP COMPANIES HERE]

Exhibit 10.5

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2023 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2023 Long Term Performance Plan ("2023 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTPP and to grant the Participant an Equity Award under the 2023 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2023 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals

set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2023 and ending December 31, 2025.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2025, but prior to January 31, 2026; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2026. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance

Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 31, 2024 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2026 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2023 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the

Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate

the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick



Its: President and CEO

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

[INSERT COMPOUNDED EARNINGS PER SHARE GROWTH TARGET
AND CALCULATION HERE]

Exhibit 10.6

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2023 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2023 Long Term Performance Plan ("2023 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTPP and to grant the Participant an Equity Award under the 2023 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2023 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock

attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2023 and ending December 31, 2025.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b) or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2025, but prior to January 31, 2026; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2026. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of

Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2024 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement

between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2026 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2023 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order

to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible

earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

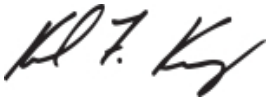
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Board Chair

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

[INSERT COMPOUNDED EARNINGS PER SHARE GROWTH TARGET
AND CALCULATION HERE]

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2023

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, John C. Griffith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2023

By: /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)
April 26, 2023

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John C. Griffith, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
April 26, 2023

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of October 25, 2022
Common Stock, par value $0.01 per share	**181,827,874**

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* * *

Throughout this Quarterly Report on Form 10-Q ("Form 10-Q"), unless the context otherwise requires, references to the "Company" and "American Water" mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the "parent company" mean American Water Works Company, Inc., without its subsidiaries.

The Company maintains a website at https://amwater.com, an Investor Relations website at https://ir.amwater.com, and a Diversity and Inclusion website at https://diversityataw.com. Information contained on the Company's websites, including its Sustainability Report, its Inclusion and Diversity Annual Report, and other reports or documents, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company's future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company's growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company's California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company's ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company's ability to execute its current and long-term business, operational and capital expenditures strategies; the Company's ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets, including the timing and amount of the Company's future public equity issuances; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company's stated environmental and sustainability goals, including its greenhouse gas emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the COVID-19 pandemic; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company's actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors;
- changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;

- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
  - acquiring, closing and successfully integrating regulated operations and market-based businesses;
  - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts with the U.S. government; and
  - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS") and its New York subsidiary, including:
  - the Company's ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company from time to time under the seller promissory note when due; and
  - the ability of the Company to redeploy successfully and timely the net proceeds of these transactions into the Company's Regulated Businesses (as defined herein);
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company's ability to address or mitigate the impacts thereof;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs, and (iii) the Company's ability to utilize its state income tax net operating loss carryforwards;
- migration of customers into or out of the Company's service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company's goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract qualified employees;

- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	September 30, 2022	December 31, 2021
ASSETS		
Property, plant and equipment	$ 29,062	$ 27,413
Accumulated depreciation	(6,426)	(6,329)
Property, plant and equipment, net	22,636	21,084
Current assets:		
Cash and cash equivalents	77	116
Restricted funds	27	20
Accounts receivable, net of allowance for uncollectible accounts of $64 and $75, respectively	358	271
Unbilled revenues	273	248
Materials and supplies	93	57
Assets held for sale	—	683
Other	189	159
Total current assets	1,017	1,554
Regulatory and other long-term assets:		
Regulatory assets	1,075	1,051
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	90	92
Goodwill	1,143	1,139
Postretirement benefit assets	208	193
Other	237	242
Total regulatory and other long-term assets	3,473	3,437
Total assets	$ 27,126	$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	September 30, 2022	December 31, 2021
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 187,169,722 and 186,880,413 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,813	6,781
Retained earnings	1,359	925
Accumulated other comprehensive loss	(39)	(45)
Treasury stock, at cost (5,342,477 and 5,269,324 shares, respectively)	(377)	(365)
Total common shareholders' equity	7,758	7,298
Long-term debt	10,940	10,341
Redeemable preferred stock at redemption value	3	3
Total long-term debt	10,943	10,344
Total capitalization	18,701	17,642
Current liabilities:		
Short-term debt	634	584
Current portion of long-term debt	265	57
Accounts payable	220	235
Accrued liabilities	610	701
Accrued taxes	69	176
Accrued interest	116	88
Liabilities related to assets held for sale	—	83
Other	216	217
Total current liabilities	2,130	2,141
Regulatory and other long-term liabilities:		
Advances for construction	306	284
Deferred income taxes and investment tax credits	2,372	2,421
Regulatory liabilities	1,614	1,600
Operating lease liabilities	78	80
Accrued pension expense	250	285
Other	186	180
Total regulatory and other long-term liabilities	4,806	4,850
Contributions in aid of construction	1,489	1,442
Commitments and contingencies (See Note 11)		
Total capitalization and liabilities	$ 27,126	$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations (Unaudited)
(In millions, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating revenues	$ 1,082	$ 1,092	$ 2,861	$ 2,979
Operating expenses:				
Operation and maintenance	416	436	1,156	1,286
Depreciation and amortization	164	161	485	476
General taxes	63	78	208	241
Total operating expenses, net	643	675	1,849	2,003
Operating income	439	417	1,012	976
Other income (expense):				
Interest expense	(111)	(101)	(317)	(300)
Interest income	14	—	39	—
Non-operating benefit costs, net	19	20	58	59
Other, net	6	4	38	11
Total other (expense) income	(72)	(77)	(182)	(230)
Income before income taxes	367	340	830	746
Provision for income taxes	70	62	157	128
Net income attributable to common shareholders	$ 297	$ 278	$ 673	$ 618
Basic earnings per share:				
Net income attributable to common shareholders	$ 1.63	$ 1.53	$ 3.70	$ 3.40
Diluted earnings per share:				
Net income attributable to common shareholders	$ 1.63	$ 1.53	$ 3.70	$ 3.40
Weighted-average common shares outstanding:				
Basic	182	182	182	182
Diluted	182	182	182	182

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income attributable to common shareholders	$ 297	$ 278	$ 673	$ 618
Other comprehensive income, net of tax:				
Defined benefit pension plan actuarial loss, net of tax of $1 and $0 for the three months ended September 30, 2022 and 2021, respectively, and $1 and $1 for the nine months ended September 30, 2022 and 2021, respectively	—	1	2	3
Unrealized gain on cash flow hedges, net of tax of $0 and $0 for the three months ended September 30, 2022 and 2021, respectively, and $1 and $0 for the nine months ended September 30, 2022 and 2021, respectively	1	—	4	1
Net other comprehensive income	1	1	6	4
Comprehensive income attributable to common shareholders	$ 298	$ 279	$ 679	$ 622

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Nine Months Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 673	$ 618
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	485	476
Deferred income taxes and amortization of investment tax credits	13	121
Provision for losses on accounts receivable	17	28
Pension and non-pension postretirement benefits	(37)	(31)
Other non-cash, net	(31)	(34)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(129)	(103)
Pension and non-pension postretirement benefit contributions	(40)	(31)
Accounts payable and accrued liabilities	(9)	28
Accrued taxes	(148)	25
Other assets and liabilities, net	(30)	(68)
Net cash provided by operating activities	764	1,029
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,597)	(1,205)
Acquisitions, net of cash acquired	(288)	(78)
Net proceeds from sale of assets	608	—
Removal costs from property, plant and equipment retirements, net	(85)	(70)
Net cash used in investing activities	(1,362)	(1,353)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	822	1,113
Repayments of long-term debt	(14)	(370)
Repayments of term loan	—	(500)
Net short-term borrowings (repayments) with maturities less than three months	50	(97)
Advances and contributions in aid of construction, net of refunds of $13 and $17 for the nine months ended September 30, 2022 and 2021, respectively	64	50
Debt issuance costs and make-whole premium on early debt redemption	(7)	(26)
Dividends paid	(348)	(318)
Other, net	(1)	(4)
Net cash provided by (used in) financing activities	566	(152)
Net decrease in cash, cash equivalents and restricted funds	(32)	(476)
Cash, cash equivalents and restricted funds at beginning of period	136	576
Cash, cash equivalents and restricted funds at end of period	$ 104	$ 100
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	$ 347	$ 238

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock					Treasury Stock		
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	Total Shareholders' Equity
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298
Net income attributable to common shareholders	—	—	—	158	—	—	—	158
Common stock issuances (a)	0.2	—	15	—	—	—	(12)	3
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2022	187.1	$ 2	$ 6,796	$ 1,083	$ (44)	(5.3)	$ (377)	$ 7,460
Net income attributable to common shareholders	—	—	—	218	—	—	—	218
Common stock issuances (a)	—	—	8	—	—	—	—	8
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends ($0.6550 declared per common share)	—	—	—	(120)	—	—	—	(120)
Balance as of June 30, 2022	187.1	$ 2	$ 6,804	$ 1,181	$ (40)	(5.3)	$ (377)	$ 7,570
Net income attributable to common shareholders	—	—	—	297	—	—	—	297
Common stock issuances (a)	0.1	—	9	—	—	—	—	9
Net other comprehensive income	—	—	—	—	1	—	—	1
Dividends ($0.6550 declared per common share)	—	—	—	(119)	—	—	—	(119)
Balance as of September 30, 2022	187.2	$ 2	$ 6,813	$ 1,359	$ (39)	(5.3)	$ (377)	$ 7,758

(a) Includes stock-based compensation, employee stock purchase plan and dividend reinvestment and direct stock purchase plan activity.

	Common Stock					Treasury Stock		
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	Total Shareholders' Equity
Balance as of December 31, 2020	186.5	$ 2	$ 6,747	$ 102	$ (49)	(5.2)	$ (348)	$ 6,454
Net income attributable to common shareholders	—	—	—	133	—	—	—	133
Common stock issuances (a)	0.2	—	10	—	—	(0.1)	(15)	(5)
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2021	186.7	$ 2	$ 6,757	$ 235	$ (48)	(5.3)	$ (363)	$ 6,583
Net income attributable to common shareholders	—	—	—	207	—	—	—	207
Common stock issuances (a)	0.1	—	8	—	—	—	—	8
Net other comprehensive income	—	—	—	—	2	—	—	2
Dividends ($0.6025 declared per common share)	—	—	—	(110)	—	—	—	(110)
Balance as of June 30, 2021	186.8	$ 2	$ 6,765	$ 332	$ (46)	(5.3)	$ (363)	$ 6,690
Net income attributable to common shareholders	—	—	—	278	—	—	—	278
Common stock issuances (a)	—	—	7	—	—	—	—	7
Net other comprehensive income	—	—	—	—	1	—	—	1
Dividends ($0.6025 declared per common share)	—	—	—	(110)	—	—	—	(110)
Balance as of September 30, 2021	186.8	$ 2	$ 6,772	$ 500	$ (45)	(5.3)	$ (363)	$ 6,866

(a) Includes stock-based compensation, employee stock purchase plan and dividend reinvestment and direct stock purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the "Company" or "American Water"), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q ("Form 10-Q"). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of September 30, 2022, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2021 ("Form 10-K"), which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company's operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2022:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022	Either modified retrospective or fully retrospective	The standard did not have a material impact on its Consolidated Financial Statements.
Disclosures by Business Entities about Government Assistance	The amendments in this update require additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies.	January 1, 2022	Either prospective or retrospective	The standard did not have a material impact on its Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of September 30, 2022:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Troubled Debt Restructurings and Vintage Disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings ("TDRs") by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023; early adoption permitted	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding.

Presented in the table below are the changes in the allowance for uncollectible accounts for the nine months ended September 30:

	2022	2021
Balance as of January 1	$ (75)	$ (60)
Amounts charged to expense	(17)	(28)
Amounts written off	19	22
Other, net (a)	9	(10)
Balance as of September 30	$ (64)	$ (76)

(a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity. The 2021 activity also includes the portion of the allowance related to the Company's New York subsidiary, which was sold on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of excess accumulated deferred income tax ("EADIT") that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the respective period:

	During the Three Months Ended September 30,		During the Nine Months Ended September 30,	
(In millions)	2022	2021	2022	2021
General rate cases by state (a):				
New Jersey (effective September 1, 2022)	$ 61	$ —	$ 61	$ —
Hawaii (effective July 1, 2022)	2	—	2	—
West Virginia (effective February 25, 2022)	—	—	15	—
California (effective January 1, 2022 and January 1, 2021)	—	—	13	22
Pennsylvania (effective January 1, 2022 and January 28, 2021)	—	—	20	70
Missouri (effective May 28, 2021)	—	—	—	22
Total general rate cases	$ 63	$ —	$ 111	$ 114
Infrastructure surcharges by state:				
Missouri (effective August 11, 2022 and February 1, 2022)	$ 18	$ —	$ 30	$ —
Tennessee (effective August 8, 2022 and January 1, 2021)	3	—	3	3
Pennsylvania (effective July 1, 2022, April 1, 2022 and January 1, 2021)	9	—	11	8
Kentucky (effective July 1, 2022 and July 1, 2021)	3	1	3	1
New Jersey (effective June 27, 2022 and June 28, 2021)	—	—	10	14
Indiana (effective March 21, 2022 and March 17, 2021)	—	—	8	8
West Virginia (effective March 1, 2022 and January 1, 2021)	—	—	3	5
Illinois (effective January 1, 2022 and January 1, 2021)	—	—	6	7
Total infrastructure surcharges	$ 33	$ 1	$ 74	$ 46

(a) Excludes authorized increase of $7 million for the nine months ended September 30, 2021, for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 5—Acquisitions and Divestitures for additional information.

Effective October 1, 2022, the Company's Pennsylvania subsidiary implemented an infrastructure surcharge for annualized incremental revenues of $8 million.

On August 17, 2022, the Company's New Jersey subsidiary was authorized additional annual revenues of $61 million in its general rate case, effective September 1, 2022, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA") ($46 million including EADIT reductions). The order incorporated updated estimates of production costs, including chemicals, fuel and power costs. Beginning January 1, 2023, the Company's New Jersey subsidiary will defer as a regulatory asset or liability, as appropriate, the difference between its pension expense and other post-employment benefits expense and those amounts included in base rates. The deferral period for this regulatory asset or liability will be two years or, if earlier, will end at the conclusion of the Company's New Jersey subsidiary's next general rate case. The Company's New Jersey subsidiary also withdrew its request, without prejudice, to recover its existing authorized COVID-19-related regulatory asset in the general rate case and will seek recovery in a separate proceeding within the process established in the New Jersey Board of Public Utilities' (the "NJBPU") generic COVID-19-related proceeding.

On February 24, 2022, the Company's West Virginia subsidiary ("WVAWC") was authorized additional annual revenues of $15 million in its general rate case, effective February 25, 2022, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $2 million and the exclusion for infrastructure surcharges is $10 million. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. WVAWC filed its response to the Staff's Petition for Reconsideration on March 28, 2022, in support of the authorized revenue requirement. On October 21, 2022, the Public Service Commission of West Virginia denied the motion for reconsideration.

On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which was retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of $22 million, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $4 million and is offset by a like reduction in income tax expense. On February 16, 2022, the Company's California subsidiary received approval to increase rates by $13 million in 2022 escalation increases, excluding $4 million of reductions related to the TCJA, which was retroactive to January 1, 2022.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, effective January 28, 2021, excluding agreed to reductions in revenues of $19 million for EADIT as a result of the TCJA. The overall increase, net of TCJA reductions, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step was effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the average rate assumptions method, and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annual reduction to revenue is comprised of both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018, through December 31, 2020, covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $57 million and a total increase in revenue over the 2024 to 2026 period of $99 million. The requested increase excludes proposed reductions for EADIT of $1 million as a result of TCJA.

On July 1, 2022, the Company's Missouri subsidiary filed a general rate case requesting $116 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA ($105 million including EADIT reductions) and infrastructure surcharges.

On April 29, 2022, the Company's Pennsylvania subsidiary filed a general rate case requesting $185 million in additional annualized water and wastewater revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. On October 11, 2022, the Company's Pennsylvania subsidiary, the Pennsylvania Public Utility Commission's (the "PaPUC") Bureau of Investigation and Enforcement, the Pennsylvania Office of Consumer Advocate, and certain other parties to the general rate case jointly filed a petition for settlement with the PaPUC providing for a total annualized revenue increase of $138 million. The petition for settlement provides for an annualized revenue increase of $150 million excluding agreed to reductions for EADIT as a result of the TCJA ($138 million including EADIT reductions). In addition, the petition for settlement incorporates updated estimates of pension and other post-employment benefits expense, as well as increases in chemicals, fuel and power costs. Furthermore, the petition for settlement includes recovery of the COVID-19 deferral balance. An ALJ will review the petition for settlement and render a recommended decision to the PaPUC on whether it should approve the settlement. After its review of the matter, the PaPUC will issue a final order, which the Company expects to occur by January 2023, with new rates to be effective as of January 28, 2023.

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting $71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The requested increase was subsequently updated in the Illinois subsidiary's June 29, 2022, rebuttal filing, with the request adjusted to $85 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA ($83 million including EADIT reductions) and infrastructure surcharges. The request was increased in the rebuttal filing to capture higher production costs and expected higher pension and other post-employment benefit costs. Evidentiary hearings were held on August 10, 2022, and on October 28, 2022, the ALJs issued a proposed order recommending $69 million in additional annualized revenues, excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges ($67 million including EADIT reductions), on a proposed return on equity of 9.78%. The final order is expected in late 2022 or early January 2023, with rates effective in January 2023.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting $15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates is subject to refund. On September 26, 2022, a settlement agreement, supported by all parties except one, was filed with the Virginia State Corporation Commission for a $12 million annual revenue increase excluding agreed to reductions for EADIT as a result of TCJA ($11 million including EADIT reductions). Public hearings were held on September 27 and 28, 2022. A final decision on this matter is expected in the first quarter of 2023.

The Company's California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the fourth quarter of 2022.

Pending Infrastructure Surcharge Filings

On September 9, 2022, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting $13 million in additional annualized revenues.

On June 30, 2022, WVAWC filed an infrastructure surcharge proceeding requesting $8 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company's California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and will become effective on January 1, 2023. In response to the legislation, on October 10, 2022, the Company's California subsidiary filed a request for the CPUC to consider the continuation of its decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

Note 4: Revenue Recognition

Disaggregated Revenues

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company also operates other market-based businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, collectively included within "Market-Based Businesses and Other."

Presented in the table below are operating revenues disaggregated for the three months ended September 30, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 556	$ 1	$ 557
Commercial	207	1	208
Fire service	36	—	36
Industrial	41	1	42
Public and other	82	—	82
Total water services	922	3	925
Wastewater services:			
Residential	45	1	46
Commercial	12	—	12
Industrial	1	—	1
Public and other	7	—	7
Total wastewater services	65	1	66
Miscellaneous utility charges	9	—	9
Alternative revenue programs	—	1	1
Lease contract revenue	—	2	2
Total Regulated Businesses	996	7	1,003
Market-Based Businesses and Other	80	(1)	79
Total operating revenues	$ 1,076	$ 6	$ 1,082

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* ("ASC 606"), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the three months ended September 30, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 545	$ —	$ 545
Commercial	197	—	197
Fire service	38	—	38
Industrial	39	—	39
Public and other	72	—	72
Total water services	891	—	891
Wastewater services:			
Residential	38	—	38
Commercial	10	—	10
Industrial	1	—	1
Public and other	4	—	4
Total wastewater services	53	—	53
Miscellaneous utility charges	2	—	2
Alternative revenue programs	—	(4)	(4)
Lease contract revenue	—	2	2
Total Regulated Businesses	946	(2)	944
Market-Based Businesses and Other	148	—	148
Total operating revenues	$ 1,094	$ (2)	$ 1,092

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the nine months ended September 30, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,467	$ 2	$ 1,469
Commercial	534	1	535
Fire service	109	—	109
Industrial	115	1	116
Public and other	195	—	195
Total water services	2,420	4	2,424
Wastewater services:			
Residential	128	1	129
Commercial	33	—	33
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	178	1	179
Miscellaneous utility charges	27	—	27
Alternative revenue programs	—	10	10
Lease contract revenue	—	6	6
Total Regulated Businesses	2,625	21	2,646
Market-Based Businesses and Other	216	(1)	215
Total operating revenues	$ 2,841	$ 20	$ 2,861

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the nine months ended September 30, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,466	$ —	$ 1,466
Commercial	511	—	511
Fire service	112	—	112
Industrial	105	—	105
Public and other	172	—	172
Total water services	2,366	—	2,366
Wastewater services:			
Residential	112	—	112
Commercial	28	—	28
Industrial	3	—	3
Public and other	12	—	12
Total wastewater services	155	—	155
Miscellaneous utility charges	18	—	18
Alternative revenue programs	—	12	12
Lease contract revenue	—	5	5
Total Regulated Businesses	2,539	17	2,556
Market-Based Businesses and Other	424	(1)	423
Total operating revenues	$ 2,963	$ 16	$ 2,979

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In Market-Based Businesses and Other, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $76 million and $71 million are included in unbilled revenues on the Consolidated Balance Sheets as of September 30, 2022, and December 31, 2021, respectively. There were $124 million of contract assets added during the nine months ended September 30, 2022, and $119 million of contract assets were transferred to accounts receivable during the same period. There were $60 million of contract assets added during the nine months ended September 30, 2021, and $31 million of contract assets were transferred to accounts receivable during the same period.

Contract liabilities of $75 million and $19 million are included in other current liabilities on the Consolidated Balance Sheets as of September 30, 2022, and December 31, 2021, respectively. There were $150 million of contract liabilities added during the nine months ended September 30, 2022, and $94 million of contract liabilities were recognized as revenue during the same period. There were $141 million of contract liabilities added during the nine months ended September 30, 2021, and $137 million of contract liabilities were recognized as revenue during the same period.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of September 30, 2022, the Company's operation and maintenance ("O&M") and capital improvement contracts in Market-Based Businesses and Other have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2073 and have RPOs of $7.0 billion as of September 30, 2022, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of $542 million as of September 30, 2022, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures

Regulated Businesses

Acquisitions

On May 27, 2022, the Company's Pennsylvania subsidiary acquired the public wastewater collection and treatment system assets from the York City Sewer Authority and the City of York for a purchase price of $235 million, in cash, $20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement. The system assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. The acquisition was accounted for as a business combination and the preliminary purchase price allocation will be finalized once the valuation of assets acquired has been completed, no later than one year after the acquisition date. The preliminary purchase price allocation consisted primarily of $231 million of utility plant and $4 million of goodwill, which is reported in the Company's Regulated Businesses segment.

In addition to the acquisition of the York wastewater system assets noted above, during the nine months ended September 30, 2022, the Company closed on the acquisition of 14 regulated water and wastewater systems for an aggregate purchase price of $73 million. Two of these acquisitions were accounted for as a business combination. Assets acquired from these acquisitions consisted principally of utility plant.

The pro forma impact of the Company's acquisitions was not material to the Consolidated Statements of Operations for the periods ended September 30, 2022 and 2021.

Pending Acquisitions

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of $232 million in cash, subject to adjustment as provided for in the Asset Purchase Agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in late 2022 or early 2023.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. During the first quarter of 2022, the Company recognized a loss on sale of $2 million.

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for $6 million.

Sale of Homeowner Services Group

On December 9, 2021, the Company sold all of the equity interests in subsidiaries that comprised the Company's Homeowner Services Group ("HOS") to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately $1.275 billion, resulting in pre-tax gain on sale of $748 million during the fourth quarter of 2021. The consideration was comprised of $480 million in cash, a seller promissory note issued by the Buyer in the principal amount of $720 million, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 13—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. For the nine months ended September 30, 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of $20 million, which is included in Other, net on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized $13 million and $38 million of interest income during the three and nine months ended September 30, 2022, respectively, from the seller note.

The Company and the Buyer also entered into revenue share agreements, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized $2 million and $6 million of income during the three and nine months ended September 30, 2022, respectively, from the revenue share agreements, which is included in Other, net on the Consolidated Statements of Operations.

Note 6: Shareholders' Equity

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the nine months ended September 30, 2022 and 2021, respectively:

	Defined Benefit Pension Plans				
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Loss on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance as of December 31, 2021	$ (107)	$ 1	$ 67	$ (6)	$ (45)
Other comprehensive income before reclassifications	—	—	—	4	4
Amounts reclassified from accumulated other comprehensive loss	—	—	2	—	2
Net other comprehensive income	—	—	2	4	6
Balance as of September 30, 2022	$ (107)	$ 1	$ 69	$ (2)	$ (39)
Balance as of December 31, 2020	$ (106)	$ 1	$ 63	$ (7)	$ (49)
Other comprehensive loss before reclassifications	—	—	—	1	1
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	3
Net other comprehensive income	—	—	3	1	4
Balance as of September 30, 2021	$ (106)	$ 1	$ 66	$ (6)	$ (45)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends

On September 1, 2022, the Company paid a quarterly cash dividend of $0.6550 per share to shareholders of record as of August 9, 2022.

On October 27, 2022, the Company's Board of Directors declared a quarterly cash dividend payment of $0.6550 per share, payable on December 1, 2022, to shareholders of record as of November 8, 2022. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 7: Long-Term Debt

On May 5, 2022, American Water Capital Corp. ("AWCC"), issued $800 million aggregate principal amount of 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $792 million. AWCC used the net proceeds of the offering: (i) to lend funds to the Company and its subsidiaries in its Regulated Businesses segment; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling $400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately $4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022. No ineffectiveness was recognized on hedging instruments for the three and nine months ended September 30, 2022.

In addition to the senior notes issued by AWCC as described above, during the nine months ended September 30, 2022, the Company's regulated subsidiaries issued in the aggregate $22 million of private activity bonds and government funded debt in multiple transactions with annual interest rates ranging from 0.00% to 1.75%, with a weighted average interest rate of 1.05%, maturing in 2027 through 2042. During the nine months ended September 30, 2022, AWCC and the Company's regulated subsidiaries made sinking fund payments for, or repaid at maturity, $14 million in aggregate principal amount of outstanding long-term debt, with annual interest rates ranging from 0.00% to 12.25%, a weighted average interest rate of 2.18%, and maturity dates ranging from 2022 to 2051.

Note 8: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility, and, in the future, issuances of equity. Additionally, proceeds from the aforementioned sales of HOS and the Company's New York subsidiary will be used primarily for capital investment in the Regulated Businesses.

The Company maintains an unsecured revolving credit facility with a diversified group of financial institutions. AWCC's revolving credit facility is used principally to support its commercial paper program, to provide additional liquidity support, and to provide a sublimit for the issuance of up to $150 million in letters of credit. On October 26, 2022, AWCC and certain lenders amended and restated the credit agreement with respect to the revolving credit facility to, among other things, increase the maximum commitments under the facility to $2.75 billion from $2.25 billion and to extend the expiration date of the facility to October 2027 from March 2025. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods. Also, effective October 26, 2022, the maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program was increased to $2.60 billion from $2.10 billion.

Short-term debt consists of commercial paper borrowings totaling $634 million and $584 million as of September 30, 2022, and December 31, 2021, respectively. The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 3.22% and 0.20% at September 30, 2022 and December 31, 2021, respectively. As of September 30, 2022, and December 31, 2021, there were no borrowings outstanding under the revolving credit facility, and there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of September 30, 2022		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(634)	(75)	(709)
Remaining availability as of September 30, 2022	$ 1,466	$ 75	$ 1,541

(a) Total remaining availability of $1.54 billion as of September 30, 2022, may be accessed through revolver draws.

	As of December 31, 2021		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	$ 1,516	$ 74	$ 1,590

(a) Total remaining availability of $1.59 billion as of December 31, 2021, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of September 30, 2022 and December 31, 2021, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of September 30, 2022	$ 77	$ 1,541	$ 1,618
Available liquidity as of December 31, 2021	$ 116	$ 1,590	$ 1,706

Note 9: Income Taxes

The Company's effective income tax rate was 19.1% and 18.2% for the three months ended September 30, 2022 and 2021, respectively, and 18.9% and 17.2% for the nine months ended September 30, 2022 and 2021, respectively. The increase in the Company's effective income tax rate for the three and nine months ended September 30, 2022, was primarily due to a decrease in the amortization of EADIT pursuant to regulatory orders.

Other Tax Matters

On July 8, 2022, Pennsylvania Governor Tom Wolf signed into law Act 53 of 2022, which reduces the Pennsylvania state corporate income tax rate in yearly increments starting January 1, 2023, with a new rate of 8.99% and ending effective January 1, 2031, with a rate of 4.99%. Under Accounting Standards Codification Topic 740, Income Taxes ("ASC 740"), the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. As such, the Company's accumulated deferred income tax ("ADIT") balances for their Pennsylvania subsidiary were remeasured during the quarter ended September 30, 2022, to estimate the impacts of the recently enacted tax rate. The remeasurement reduces the ADIT liability by $132 million and creates a corresponding regulatory liability since the EADIT is expected to be returned to customers in a future rate case. However, since the rate is declining in yearly increments, the total EADIT will be subject to change. The rate change impacts to the non-regulated companies have been deemed immaterial.

On September 27, 2022, Iowa's Department of Revenue announced a reduction in the state's top corporate rate from 9.8% to 8.4% effective January 1, 2023. The remeasurement reduces the ADIT liability for the Company's Iowa subsidiary by $1 million and creates a corresponding regulatory liability since the EADIT balance is expected to be returned to customers in a future rate case. The rate impacts to the non-regulated companies have been deemed immaterial.

Note 10: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit credit:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Components of net periodic pension benefit credit:				
Service cost	$ 8	$ 9	$ 23	$ 27
Interest cost	16	16	48	49
Expected return on plan assets	(31)	(31)	(92)	(95)
Amortization of prior service credit	(1)	(1)	(3)	(2)
Amortization of actuarial loss	5	7	15	20
Net periodic pension benefit credit	$ (3)	$ —	$ (9)	$ (1)
Components of net periodic other postretirement benefit credit:				
Service cost	$ 1	$ 1	$ 3	$ 3
Interest cost	3	2	8	6
Expected return on plan assets	(5)	(5)	(15)	(15)
Amortization of prior service credit	(8)	(8)	(24)	(24)
Net periodic other postretirement benefit credit	$ (9)	$ (10)	$ (28)	$ (30)

The Company contributed $9 million and $27 million for the funding of its defined benefit pension plans for the three and nine months ended September 30, 2022, respectively, and contributed $10 million and $28 million for the funding of its defined benefit pension plans for the three and nine months ended September 30, 2021, respectively. There were no material contributions and $13 million of contributions for the funding of the Company's other postretirement benefit plans for the three and nine months ended September 30, 2022, respectively, and $3 million of contributions for each of the three and nine months ended September 30, 2021. The Company expects to make pension contributions to the plan trusts of $9 million during the remainder of 2022.

Note 11: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of September 30, 2022, the Company has accrued approximately $4 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $3 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 11—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company-affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the $126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is $19 million. As of September 30, 2022, $0.5 million of the aggregate Settlement amount of $126 million has been reflected in accrued liabilities, and $0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets. The amount reflected in accrued liabilities as of September 30, 2022 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund's appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys' fees and claims administration costs. The Company funded WVAWC's contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. On January 28, 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. On August 26, 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals challenging this latest class certification order. The Writ Petition has been supported by an amicus brief filed by certain water and utility industry trade groups. The Supreme Court of Appeals will decide whether to accept the Writ Petition by issuing a Rule to Show Cause.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. A hearing that had been originally scheduled for October 2022 to address the question of class certification has been postponed to January 2023.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order") approving a deadline of December 31, 2021 for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the 2009 Order and the 2016 Order.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated incurred costs plus an allowance for funds used during construction ("AFUDC"), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual weighted average cost of capital. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am has incurred $206 million in aggregate costs as of September 30, 2022 related to the Water Supply Project, which includes $55 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and on November 29, 2021, Cal Am filed an application with the CPUC seeking review and approval of the amended and restated water purchase agreement. Cal Am is also requesting rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This amount is in addition to, and consistent in regulatory treatment with, the prior $50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision. In September 2022, the parties completed testimony related to this CPUC proceeding, and the parties are now meeting and conferring to set hearing dates during the fourth quarter of 2022.

On September 30, 2022, a CPUC-assigned ALJ issued a proposed decision that would, if adopted by the CPUC, authorize Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The proposed decision sets the cost cap for the proposed facilities at approximately $45 million, and the remaining $36 million of costs initially requested have been deferred to a subsequent filing. Under the proposed decision, Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the proposed decision recommended AFUDC be authorized at Cal Am's actual weighted average cost of debt. On October 20, 2022, the parties filed their comments to the proposed decision. Cal Am currently expects a CPUC ruling to be issued by the end of 2022. After that, this matter will remain open as part of a Phase 2 proceeding to update supply and demand amounts for the Water Supply Project and to address certain of the deferred capital requests.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the "Coastal Commission"), as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. In June 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. Cal Am responded with the requested additional information on January 11, 2022, and on February 8, 2022, the Coastal Commission requested additional information, and Cal Am responded with additional information. On September 1, 2022, the Coastal Commission deemed Cal Am's application complete. A hearing on the application is expected in November 2022.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirements contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources, sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 12: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted EPS calculations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net income attributable to common shareholders	$ 297	$ 278	$ 673	$ 618
Denominator:				
Weighted-average common shares outstanding—Basic	182	182	182	182
Effect of dilutive common stock equivalents	—	—	—	—
Weighted-average common shares outstanding—Diluted	182	182	182	182

The effect of dilutive common stock equivalents is related to outstanding stock options, restricted stock units ("RSUs") and performance stock units ("PSUs") granted under the Company's 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company's 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three and nine months ended September 30, 2022 and 2021, because their effect would have been anti-dilutive under the treasury stock method.

Note 13: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note from the sale of HOS is $720 million as of September 30, 2022 and December 31, 2021. This amount represents the principal amount owed under the seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the seller note approximated $681 million and $720 million as of September 30, 2022 and December 31, 2021, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The seller note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of September 30, 2022				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt (excluding finance lease obligations)	11,205	8,378	47	1,397	9,822

	As of December 31, 2021				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 4	$ —	$ —	$ 6	$ 6
Long-term debt (excluding finance lease obligations)	10,396	10,121	60	1,637	11,818

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of September 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 28	$ —	$ —	$ 28
Rabbi trust investments	20	—	—	20
Deposits	7	—	—	7
Other investments	23	—	—	23
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	78	—	72	150
Liabilities:				
Deferred compensation obligations	23	—	—	23
Total liabilities	23	—	—	23
Total assets	$ 55	$ —	$ 72	$ 127

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 21	$ —	$ —	$ 21
Rabbi trust investments	23	—	—	23
Deposits	27	—	—	27
Other investments	17	—	—	17
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	88	—	72	160
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total assets	$ 61	$ —	$ 72	$ 133

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no mark-to-market derivatives outstanding as of September 30, 2022.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Contingent cash payment from the sale of HOS—The Company's contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other long-term assets on the Consolidated Balance Sheets. The fair value of the contingent cash payment is $72 million, which is reflective of changes in the benchmark interest rate and estimated using the probability of the outcome of receipt of the $75 million, a Level 3 input.

Note 14: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's right-of-use ("ROU") assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 37 years, six years, and four years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $146 million as of September 30, 2022 and December 31, 2021. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $1 million in 2022, $4 million in 2023 through 2026, and $48 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were $3 million for each of the three months ended September 30, 2022 and September 30, 2021, and $9 million and $10 million for the nine months ended September 30, 2022 and September 30, 2021, respectively.

For the three and nine months ended September 30, 2022, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, were $3 million and $9 million, respectively. For the nine months ended September 30, 2022, there were ROU assets obtained in exchange for new operating lease liabilities of $4 million.

As of September 30, 2022, the weighted-average remaining lease term of the finance lease and operating leases were four years and 17 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities as of September 30, 2022 were $3 million in 2022, $10 million in 2023, $9 million in 2024, $9 million in 2025, $8 million in 2026, and $88 million thereafter. As of September 30, 2022, imputed interest was $42 million.

Note 15: Segment Information

The Company's operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. "Market-Based Businesses and Other" includes market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions and fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Market-Based Businesses and Other as they are excluded from segment performance measures evaluated by management.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as "Market-Based Businesses and Other." Segment results for the three and nine months ended September 30, 2021, have been adjusted retrospectively to reflect this change.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended September 30, 2022		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	$ 1,003	$ 79	$ 1,082
Depreciation and amortization	161	3	164
Total operating expenses, net	574	69	643
Interest expense	(81)	(30)	(111)
Interest income	1	13	14
Income before income taxes	373	(6)	367
Provision for income taxes	71	(1)	70
Net income (loss) attributable to common shareholders	302	(5)	297
Total assets	24,366	2,760	27,126
Cash paid for capital expenditures	598	4	602

	As of or for the Three Months Ended September 30, 2021		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	$ 944	$ 148	$ 1,092
Depreciation and amortization	151	10	161
Total operating expenses, net	563	112	675
Interest expense	(73)	(28)	(101)
Interest income	—	—	—
Income (loss) before income taxes	332	8	340
Provision for income taxes	60	2	62
Net income (loss) attributable to common shareholders	273	5	278
Total assets	22,818	2,515	25,333
Cash paid for capital expenditures	447	6	453

	As of or for the Nine Months Ended September 30, 2022		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	$ 2,646	$ 215	$ 2,861
Depreciation and amortization	473	12	485
Total operating expenses, net	1,658	191	1,849
Interest expense	(227)	(90)	(317)
Interest income	1	38	39
Income before income taxes	835	(5)	830
Provision for income taxes	154	3	157
Net income (loss) attributable to common shareholders	681	(8)	673
Total assets	24,366	2,760	27,126
Cash paid for capital expenditures	1,588	9	1,597

	As of or for the Nine Months Ended September 30, 2021		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	$ 2,556	$ 423	$ 2,979
Depreciation and amortization	449	27	476
Total operating expenses, net	1,658	345	2,003
Interest expense	(216)	(84)	(300)
Interest income	—	—	—
Income (loss) before income taxes	752	(6)	746
Provision (benefit) for income taxes	130	(2)	128
Net income (loss) attributable to common shareholders	623	(5)	618
Total assets	22,818	2,515	25,333
Cash paid for capital expenditures	1,191	14	1,205

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company's Form 10-K for the year ended December 31, 2021. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements" and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). The Company also operates other market-based businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, collectively included within "Market-Based Businesses and Other." See Part I, Item 1—Business in the Company's Form 10-K for additional information.

Financial Results

For the three and nine months ended September 30, 2022, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), were $1.63 and $3.70, respectively, an increase of $0.10 and $0.30, respectively, as compared to the same periods in the prior year. These increases were primarily driven by the implementation of new rates in the Regulated Businesses from infrastructure investments, acquisitions and organic growth, offset somewhat by impacts from inflationary pressures on production costs and higher interest costs. Results for the three and nine months ended September 30, 2022, also reflect the favorable impact of weather, estimated at $0.06 per share, primarily due to hot and dry weather in the third quarter of 2022 as compared to a $0.01 per share unfavorable impact and $0.02 per share favorable impact for the three and nine months ended September 30, 2021, respectively. Also, included in the results for the three and nine months ended September 30, 2022, are $0.06 and $0.18 per share, respectively, from interest income earned on the seller note and income earned on revenue share agreements, which compares to Homeowner Services Group ("HOS") operating results for the three and nine months ended September 30, 2021, of $0.09 and $0.25 per share, respectively. Lastly, the operating results for the Company's New York subsidiary, which was sold on January 1, 2022, were $0.09 and $0.10 per share, for the three and nine months ended September 30, 2021, respectively. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. The Company plans to invest approximately $2.5 billion across its footprint in 2022. During the first nine months of 2022, the Company invested $1.9 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- $1.6 billion capital investment in the Regulated Businesses, the substantial majority for infrastructure improvements and replacements; and
- $288 million to fund acquisitions in the Regulated Businesses, which added approximately 65,300 customers, in addition to approximately 14,000 customers added through organic growth. This includes the Company's Pennsylvania subsidiary's acquisition of the wastewater system assets from the York City Sewer Authority and the City of York on May 27, 2022, for a cash purchase price of $235 million, $20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of $232 million in cash, subject to adjustment as provided for in the Asset Purchase Agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in late 2022 or early 2023.

As of September 30, 2022, the Company has entered into agreements for pending acquisitions in the Regulated Businesses, including the Egg Harbor City agreement discussed above, to add approximately 21,600 additional customers.

Sale of Homeowner Services Group

On December 9, 2021, the Company sold all of the equity interests in subsidiaries that comprised the Company's Homeowner Services Group ("HOS") to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately $1.275 billion, resulting in pre-tax gain on sale of $748 million during the fourth quarter of 2021. The consideration was comprised of $480 million in cash, a seller promissory note issued by the Buyer in the principal amount of $720 million, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 13—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. For the nine months ended September 30, 2022, the Company recorded post-close adjustments, primarily related to working capital, of pre-tax income of $20 million, which is included in Other, net on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized $13 million and $38 million of interest income during the three and nine months ended September 30, 2022, respectively, from the seller note.

The Company and the Buyer also entered into revenue share agreements, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized $2 million and $6 million of income during the three and nine months ended September 30, 2022, respectively, from the revenue share agreements, which is included in Other, net on the Consolidated Statements of Operations.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash.

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for $6 million.

Military Services Group

On June 30, 2022, MSG was awarded a contract for the ownership, operation, maintenance and replacement of the wastewater utility system assets at Naval Station Mayport in Jacksonville, Florida. The contract was effective July 1, 2022, and its total revenue is approximately $341 million over a 50-year period, subject to an annual economic price adjustment. MSG operates and maintains water and/or wastewater systems and related capital programs as part of the U.S. government's Utilities Privatization Program. This contract represents the 18th installation in MSG's footprint and the first contract with respect to a U.S. Navy installation.

Environmental, Social Responsibility and Governance

The Company considers environmental, social responsibility and governance ("ESG") principles fundamental to its corporate strategy and values. In September 2021, the Company issued its sixth biennial Sustainability Report, covering its sustainability performance for calendar years 2020 and 2019. The report can be accessed on the Company's website.

On October 31, 2022, the Company added the following disclosures and announced the following goals to support its continued commitment to embedding ESG principles throughout its business:

- The Company created new medium- and long-term goals that are science-based and aligned with the Paris Agreement, for scope 1 (direct) and scope 2 (indirect, derived from the Company's purchase of energy) greenhouse gas emissions reductions. The new goals aim to reduce absolute scope 1 and 2 emissions 50% by 2035 (2020 baseline year) and achieve net zero scope 1 and scope 2 emissions by 2050. They complement the Company's existing short-term goal of reducing absolute scope 1 and 2 greenhouse gas emissions by more than 40% by 2025 (2007 baseline year).
- The Company worked with a third party to assist in evaluating and calculating an estimate of the Company's scope 3 greenhouse gas emissions, which included estimating emissions from Categories 1 (Purchased Goods and Services), 2 (Capital Goods), 3 (Fuel and Energy Related Activities) and 6 (Business Travel).

Operational Excellence

The Company's adjusted regulated operation and maintenance ("O&M") efficiency ratio was 33.6% for the twelve months ended September 30, 2022, as compared to 33.9% for the twelve months ended September 30, 2021. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below, as well as the continued focus on operating costs.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

	For the Twelve Months Ended September 30,	
(Dollars in millions)	**2022**	**2021**
Total operation and maintenance expenses	$ 1,647	$ 1,715
Less:		
Operation and maintenance expenses—Market-Based Businesses and Other	315	406
Total operation and maintenance expenses—Regulated Businesses	1,332	1,309
Less:		
Regulated purchased water expenses	153	154
Allocation of non-operation and maintenance expenses	32	41
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,147	$ 1,114
Total operating revenues	$ 3,812	$ 3,902
Less:		
Operating revenues—Market-Based Businesses and Other	338	559
Total operating revenues—Regulated Businesses	3,474	3,343
Less:		
Regulated purchased water revenues (a)	153	154
Revenue reductions from the amortization of EADIT	(92)	(93)
Adjusted operating revenues—Regulated Businesses (ii)	$ 3,413	$ 3,282
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.6 %	33.9 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the respective period:

	During the Three Months Ended September 30,		During the Nine Months Ended September 30,	
(In millions)	**2022**	**2021**	**2022**	**2021**
General rate cases by state (a):				
New Jersey (effective September 1, 2022)	$ 61	$ —	$ 61	$ —
Hawaii (effective July 1, 2022)	2	—	2	—
West Virginia (effective February 25, 2022)	—	—	15	—
California (effective January 1, 2022 and January 1, 2021)	—	—	13	22
Pennsylvania (effective January 1, 2022 and January 28, 2021)	—	—	20	70
Missouri (effective May 28, 2021)	—	—	—	22
Total general rate cases	$ 63	$ —	$ 111	$ 114
Infrastructure surcharges by state:				
Missouri (effective August 11, 2022 and February 1, 2022)	$ 18	$ —	$ 30	$ —
Tennessee (effective August 8, 2022 and January 1, 2021)	3	—	3	3
Pennsylvania (effective July 1, 2022, April 1, 2022 and January 1, 2021)	9	—	11	8
Kentucky (effective July 1, 2022 and July 1, 2021)	3	1	3	1
New Jersey (effective June 27, 2022 and June 28, 2021)	—	—	10	14
Indiana (effective March 21, 2022 and March 17, 2021)	—	—	8	8
West Virginia (effective March 1, 2022 and January 1, 2021)	—	—	3	5
Illinois (effective January 1, 2022 and January 1, 2021)	—	—	6	7
Total infrastructure surcharges	$ 33	$ 1	$ 74	$ 46

(a) Excludes authorized increase of $7 million for the nine months ended September 30, 2021, for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 5—Acquisitions and Divestitures for additional information.

Effective October 1, 2022, the Company's Pennsylvania subsidiary implemented an infrastructure surcharge for annualized incremental revenues of $8 million.

On August 17, 2022, the Company's New Jersey subsidiary was authorized additional annual revenues of $61 million in its general rate case, effective September 1, 2022, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA") ($46 million including EADIT reductions). The order incorporated updated estimates of production costs, including chemicals, fuel and power costs. Beginning January 1, 2023, the Company's New Jersey subsidiary will defer as a regulatory asset or liability, as appropriate, the difference between its pension expense and other post-employment benefits expense and those amounts included in base rates. The deferral period for this regulatory asset or liability will be two years or, if earlier, will end at the conclusion of the Company's New Jersey subsidiary's next general rate case. The Company's New Jersey subsidiary also withdrew its request, without prejudice, to recover its existing authorized COVID-19-related regulatory asset in the general rate case and will seek recovery in a separate proceeding within the process established in the New Jersey Board of Public Utilities' (the "NJBPU") generic COVID-19-related proceeding.

On February 24, 2022, the Company's West Virginia subsidiary ("WVAWC") was authorized additional annual revenues of $15 million in its general rate case, effective February 25, 2022, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $2 million and the exclusion for infrastructure surcharges is $10 million. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. WVAWC filed its response to the Staff's Petition for Reconsideration on March 28, 2022, in support of the authorized revenue requirement. On October 21, 2022, the Public Service Commission of West Virginia denied the motion for reconsideration.

On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which was retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of $22 million, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $4 million and is offset by a like reduction in income tax expense. On February 16, 2022, the Company's California subsidiary received approval to increase rates by $13 million in 2022 escalation increases, excluding $4 million of reductions related to the TCJA, which was retroactive to January 1, 2022.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, effective January 28, 2021, excluding agreed to reductions in revenues of $19 million for EADIT as a result of the TCJA. The overall increase, net of TCJA reductions, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step was effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the average rate assumptions method, and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annual reduction to revenue is comprised of both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018, through December 31, 2020, covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $57 million and a total increase in revenue over the 2024 to 2026 period of $99 million. The requested increase excludes proposed reductions for EADIT of $1 million as a result of TCJA.

On July 1, 2022, the Company's Missouri subsidiary filed a general rate case requesting $116 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA ($105 million including EADIT reductions) and infrastructure surcharges.

On April 29, 2022, the Company's Pennsylvania subsidiary filed a general rate case requesting $185 million in additional annualized water and wastewater revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. On October 11, 2022, the Company's Pennsylvania subsidiary, the Pennsylvania Public Utility Commission's (the "PaPUC") Bureau of Investigation and Enforcement, the Pennsylvania Office of Consumer Advocate, and certain other parties to the general rate case jointly filed a petition for settlement with the PaPUC providing for a total annualized revenue increase of $138 million. The petition for settlement provides for an annualized revenue increase of $150 million excluding agreed to reductions for EADIT as a result of the TCJA ($138 million including EADIT reductions). In addition, the petition for settlement incorporates updated estimates of pension and other post-employment benefits expense, as well as increases in chemicals, fuel and power costs. Furthermore, the petition for settlement includes recovery of the COVID-19 deferral balance. An ALJ will review the petition for settlement and render a recommended decision to the PaPUC on whether it should approve the settlement. After its review of the matter, the PaPUC will issue a final order, which the Company expects to occur by January 2023, with new rates to be effective as of January 28, 2023.

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting $71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The requested increase was subsequently updated in the Illinois subsidiary's June 29, 2022, rebuttal filing, with the request adjusted to $85 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA ($83 million including EADIT reductions) and infrastructure surcharges. The request was increased in the rebuttal filing to capture higher production costs and expected higher pension and other post-employment benefit costs. Evidentiary hearings were held on August 10, 2022, and on October 28, 2022, the ALJs issued a proposed order recommending $69 million in additional annualized revenues, excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges ($67 million including EADIT reductions), on a proposed return on equity of 9.78%. The final order is expected in late 2022 or early January 2023, with rates effective in January 2023.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting $15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates is subject to refund. On September 26, 2022, a settlement agreement, supported by all parties except one, was filed with the Virginia State Corporation Commission for a $12 million annual revenue increase excluding agreed to reductions for EADIT as a result of TCJA ($11 million including EADIT reductions). Public hearings were held on September 27 and 28, 2022. A final decision on this matter is expected in the first quarter of 2023.

The Company's California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the fourth quarter of 2022.

Pending Infrastructure Surcharge Filings

On September 9, 2022, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting $13 million in additional annualized revenues.

On June 30, 2022, WVAWC filed an infrastructure surcharge proceeding requesting $8 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company's California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and will become effective on January 1, 2023. In response to the legislation, on October 10, 2022, the Company's California subsidiary filed a request for the CPUC to consider the continuation of its decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
(In millions)				
Operating revenues	$ 1,082	$ 1,092	$ 2,861	$ 2,979
Operating expenses:				
Operation and maintenance	416	436	1,156	1,286
Depreciation and amortization	164	161	485	476
General taxes	63	78	208	241
Total operating expenses, net	643	675	1,849	2,003
Operating income	439	417	1,012	976
Other income (expense):				
Interest expense	(111)	(101)	(317)	(300)
Interest income	14	—	39	—
Non-operating benefit costs, net	19	20	58	59
Other, net	6	4	38	11
Total other (expense) income	(72)	(77)	(182)	(230)
Income before income taxes	367	340	830	746
Provision for income taxes	70	62	157	128
Net income attributable to common shareholders	$ 297	$ 278	$ 673	$ 618

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. "Market-Based Businesses and Other" includes market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, and fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Market-Based Businesses and Other as they are excluded from segment performance measures evaluated by management. This presentation is consistent with how management assesses the results of these businesses.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as "Market-Based Businesses and Other." Segment results for the three and nine months ended September 30, 2021, have been adjusted retrospectively to reflect this change.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
(In millions)				
Operating revenues	$ 1,003	$ 944	$ 2,646	$ 2,556
Operation and maintenance	355	338	991	983
Depreciation and amortization	161	151	473	449
General taxes	58	74	194	226
Other income (expenses)	(56)	(49)	(153)	(146)
Income before income taxes	373	332	835	752
Provision for income taxes	71	60	154	130
Net income attributable to common shareholders	$ 302	$ 273	$ 681	$ 623

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
(In millions)				
Water services:				
Residential	$ 557	$ 545	$ 1,469	$ 1,466
Commercial	208	197	535	511
Fire service	36	38	109	112
Industrial	42	39	116	105
Public and other	83	68	205	184
Total water services	926	887	2,434	2,378
Wastewater services:				
Residential	46	38	129	112
Commercial	12	10	33	28
Industrial	1	1	3	3
Public and other	7	4	14	12
Total wastewater services	66	53	179	155
Other (a)	11	4	33	23
Total operating revenues	$ 1,003	$ 944	$ 2,646	$ 2,556

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(Gallons in millions)	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Billed water services volumes:				
Residential	51,841	53,526	124,006	133,282
Commercial	24,102	23,981	58,802	58,559
Industrial	10,326	10,400	28,451	26,843
Fire service, public and other	15,504	14,978	39,708	38,385
Total billed water services volumes	101,773	102,885	250,967	257,069

Included in operating revenues for the three months ended September 30, 2021, was $45 million related to the Company's New York operations. Excluding the Company's New York operations, for the three months ended September 30, 2022, operating revenues increased $104 million, primarily due to: (i) a $56 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) a $13 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; (iii) a $19 million estimated net increase due to warmer and drier than normal weather in the third quarter of 2022, particularly in the Company's New Jersey and Missouri service territories; and (iv) a $6 million net increase as a result of reduced amortization of EADIT, primarily in the Company's New Jersey subsidiary.

Included in operating revenues for the nine months ended September 30, 2021, was $97 million related to the Company's New York operations. Excluding the Company's New York operations, for the nine months ended September 30, 2022, operating revenues increased $187 million, primarily due to: (i) a $128 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) a $25 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; (iii) a $13 million net increase as a result of reduced amortization of EADIT, primarily in the Company's New Jersey subsidiary; and (iv) a $13 million estimated net increase primarily due to warmer and drier than normal weather in the third quarter of 2022 in the Company's New Jersey and Missouri service territories, which was offset by warmer and drier than normal weather in the second quarter of 2021 in the Northeast.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operation and maintenance expense:

(In millions)	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Employee-related costs	$ 126	$ 132	$ 378	$ 391
Production costs	114	101	291	268
Operating supplies and services	62	56	174	171
Maintenance materials and supplies	22	19	64	66
Customer billing and accounting	17	17	44	49
Other	14	13	40	38
Total	$ 355	$ 338	$ 991	$ 983

Included in operation and maintenance expense for the three and nine months ended September 30, 2021, was $12 million and $36 million, respectively, related to the Company's New York operations. Excluding the Company's New York operations, for the three and nine months ended September 30, 2022, operation and maintenance expense increased $29 million and $44 million, respectively, primarily due to inflationary pressures which resulted in increased fuel, power, and chemicals costs.

Depreciation and Amortization

For the three and nine months ended September 30, 2022, depreciation and amortization increased $10 million and $24 million, respectively, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

For the three and nine months ended September 30, 2022, general taxes decreased $16 million and $32 million, respectively, primarily related to the sale of the Company's New York operations.

Provision for Income Taxes

For the three and nine months ended September 30, 2022, the Regulated Businesses' provision for income taxes increased $11 million and $24 million, respectively. The Regulated Businesses' effective income tax rate was 19.0% and 18.1% for the three months ended September 30, 2022 and 2021, respectively, and 18.4% and 17.3% for the nine months ended September 30, 2022 and 2021, respectively. The Regulated Businesses' effective income tax rate for the three and nine months ended September 30, 2022, reflects the amortization of EADIT pursuant to regulatory orders.

Market-Based Businesses and Other

Presented in the table below is information for Market-Based Businesses and Other:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
(In millions)				
Operating revenues	$ 79	$ 148	$ 215	$ 423
Operation and maintenance	61	98	165	303
Depreciation and amortization	3	10	12	27
Interest expense	(30)	(28)	(90)	(84)
Interest income	13	—	38	—
Income (loss) before income taxes	(6)	8	(5)	(6)
Provision (benefit) for income taxes	(1)	2	3	(2)
Net loss attributable to common shareholders	$ (5)	$ 5	$ (8)	$ (5)

Operating Revenues

For the three and nine months ended September 30, 2022, operating revenues decreased $69 million and $208 million, respectively, due primarily to the sale of HOS. HOS operating revenues for the three and nine months ended September 30, 2021, were $79 million and $233 million, respectively. Excluding the Company's HOS operations, for the three and nine months ended September 30, 2022, operating revenues increased $9 million and $25 million, respectively, largely driven by an increase in capital and O&M projects in MSG, primarily at Joint Base Lewis-McChord and the United States Military Academy at West Point, New York.

Operation and Maintenance

For the three and nine months ended September 30, 2022, operation and maintenance expense decreased $37 million and $138 million, respectively, primarily due to the sale of HOS. HOS operation and maintenance expenses for the three and nine months ended September 30, 2021, were $49 million and $151 million, respectively. Excluding the Company's HOS operations, for the three and nine months ended September 30, 2022, operation and maintenance expense increased $12 million and $13 million, respectively, largely driven by cost associated with increased capital and O&M projects in MSG, as discussed above.

Depreciation and Amortization

For the three and nine months ended September 30, 2022, depreciation and amortization decreased $7 million and $15 million, respectively, primarily due to the sale of HOS.

Interest Income

For the three and nine months ended September 30, 2022, interest income increased $13 million and $38 million, respectively, due to interest recognized on the seller note related to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Legislative Updates

During 2022, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of October 31, 2022:

- Indiana passed Senate Enrolled Act 272, which requires public reporting of a non-jurisdictional utility's asset management programs. Non-jurisdictional utilities are exempt from the jurisdiction of the Indiana Utility Regulatory Commission (the "IURC"). The legislation also creates a water and wastewater research and extension program at a state university to serve as a repository for data collected from utilities. Additionally, the legislation establishes oversight and a receivership program in the IURC for non-jurisdictional utilities with violations that create environmental or human health and safety issues. Legislation was signed by the Governor on March 7, 2022, and became effective on July 1, 2022.
- Indiana passed water and wastewater utility asset financing legislation, Senate Enrolled Act 273, which authorizes the recovery of property tax in Distribution System Improvement Charge filings. The legislation also permits the IURC to allow recovery through tracking mechanisms for changes in property tax and for costs attributable to referenda or action by elected or appointed individuals. Legislation was signed by the Governor on March 10, 2022, and became effective on July 1, 2022.
- Virginia passed Senate Bill 500 and House Bill 182, which requires the Virginia State Corporation Commission, in any future ratemaking proceeding for an investor-owned water/wastewater utility, to evaluate the utility on a stand-alone basis and utilize the utility's actual end-of-test period capital structure and cost of capital without regard to the cost of capital, capital structure, or investments of any other entities with which the utility may be affiliated. Legislation was signed by the Governor on April 11, 2022, and became effective on July 1, 2022.
- Illinois passed House Bill 900/Public Act 102-0698, which contains appropriations to the Department of Commerce and Economic Opportunity of $3 million for the purposes of the Water and Sewer Finance Assistance Act (H.B. 414/Public Act 102-0262) and $55 million for the purposes of the federal Low-Income Household Water Assistance Program (LIHWAP). Legislation was signed by the Governor on April 19, 2022, with these provisions of the bill taking effect on July 1, 2022.
- Tennessee passed Senate Bill 2282 and House Bill 2346, which requires all utilities to implement a cyber security plan and update it every two years to provide for the protection of the utility's facilities from unauthorized use, alteration, ransom, or destruction of electronic data. The relevant regulatory body will verify if a utility has complied or impose reasonable sanctions if out of compliance. Utility compliance will be required by July 1, 2023. Legislation was signed by the Governor on June 1, 2022, and became effective immediately.
- The Missouri General Assembly passed state and local property tax tracker legislation, Senate Bill 745, which requires a utility to defer to a regulatory asset or liability account any difference in what was actually paid in state or local property taxes and what was used to set the revenue requirement in the utility's most recently completed general rate case. Legislation was signed by the Governor on June 29, 2022, and became effective on August 28, 2022.

During 2022, the Company's regulatory jurisdictions enacted the following legislation that has been approved but is not yet effective as of October 31, 2022:

- California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022 and will become effective on January 1, 2023.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity (a "CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added "Measure J" to the November 2018 election ballot asking voters to decide whether the Monterey Peninsula Water Management District (the "MPWMD") should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed.

In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In November 2020, the MPWMD certified a final environmental impact report ("FEIR"), analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. On December 6, 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets, and on January 5, 2022, LAFCO's commissioners confirmed the denial. On February 28, 2022, LAFCO's commissioners voted to deny the MPWMD's application for reconsideration of LAFCO's confirmation of denial. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. On June 17, 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO. By letter dated October 3, 2022, MPWMD notified Cal Am of MPWMD's decision to appraise the Monterey system assets. MPWMD also requested access to a number of Cal Am's properties and documents to assist MPWMD with such an appraisal. Cal Am is in the process of responding to this letter and intends to deny such request as it believes MPWMD does not have the right to appraise the Monterey system assets without first obtaining LAFCO approval to become a retail water provider.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of $38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial has been scheduled for January 2023.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Tax Matters

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (the "IRA"). The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to AFSI when determining CAMT under the new law. Due to the lack of guidance currently available regarding the implementation of the IRA, including adjustments to AFSI, it is premature to project the impact to the Company.

On July 8, 2022, Pennsylvania Governor Tom Wolf signed into law Act 53 of 2022, which reduces the Pennsylvania State Income Tax Rate in yearly increments starting January 1, 2023, with a new rate of 8.99% and ending effective January 1, 2031, with a rate of 4.99%. Under Accounting Standards Codification Topic 740, Income Taxes ("ASC 740"), the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. As such, the Company's accumulated deferred income tax ("ADIT") balances for their Pennsylvania subsidiary were remeasured during the quarter ended September 30, 2022 to estimate the impacts of the recently enacted tax rate. The remeasurement reduces the ADIT liability by $132 million and creates a corresponding regulatory liability since the EADIT is expected to be returned to customers in a future rate case. However, since the rate is declining in yearly increments, the total EADIT will be subject to change. The rate change impacts to the non-regulated companies have been deemed immaterial.

On September 27, 2022, Iowa's Department of Revenue announced a reduction in the state's top corporate rate from 9.8% to 8.4% effective January 1, 2023. The remeasurement reduces the ADIT liability for the Company's Iowa subsidiary by $1 million and creates a corresponding regulatory liability since the EADIT balance is expected to be returned to customers in a future rate case. The rate impacts to the non-regulated companies have been deemed immaterial.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company's Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, and, if and to the extent necessary, borrowings under American Water Capital Corp.'s (AWCC) revolving credit facility, and, in the future, issuances of equity.

The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity in addition to the proceeds from the sales of HOS and the Company's New York subsidiary. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company maintains an unsecured revolving credit facility with a diversified group of financial institutions. AWCC's revolving credit facility is used principally to support its commercial paper program, to provide additional liquidity support, and to provide a sublimit for the issuance of up to $150 million in letters of credit. On October 26, 2022, AWCC and certain lenders amended and restated the credit agreement with respect to the revolving credit facility to, among other things, increase the maximum commitments under the facility to $2.75 billion from $2.25 billion and to extend the expiration date of the facility to October 2027 from March 2025. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods. See Part II, Item 5—Other Information for additional information about the amendment and restatement of this credit agreement.

Also, effective October 26, 2022, the maximum aggregate principal amount of short-term borrowings authorized under AWCC's commercial paper program was increased to $2.60 billion from $2.10 billion. As of September 30, 2022, and December 31, 2021, there were no borrowings outstanding under the revolving credit facility. Short-term debt consists of commercial paper borrowings totaling $634 million and $584 million outstanding as of September 30, 2022 and December 31, 2021, respectively. The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 3.22% and 0.20% at September 30, 2022 and December 31, 2021, respectively.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility as of September 30, 2022 and December 31, 2021, as well as the available capacity for each:

	As of September 30, 2022		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(634)	(75)	(709)
Remaining availability as of September 30, 2022	$ 1,466	$ 75	$ 1,541

(a) Total remaining availability of $1.54 billion as of September 30, 2022, may be accessed through revolver draws.

	As of December 31, 2021		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	$ 1,516	$ 74	$ 1,590

(a) Total remaining availability of $1.59 billion as of December 31, 2021, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of September 30, 2022 and December 31, 2021, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of September 30, 2022	$ 77	$ 1,541	$ 1,618
Available liquidity as of December 31, 2021	$ 116	$ 1,590	$ 1,706

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all. See Note 8—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

On May 5, 2022, AWCC issued $800 million aggregate principal amount of its 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $792 million. AWCC used the net proceeds of the offering: (i) to lend funds to the Company and its subsidiaries in its Regulated Businesses segment; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling $400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately $4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022. No ineffectiveness was recognized on hedging instruments for the three and nine months ended September 30, 2022.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company's cash flows provided by operating activities:

	For the Nine Months Ended September 30,	
	2022	2021
(In millions)		
Net income	$ 673	$ 618
Add (less):		
Depreciation and amortization	485	476
Deferred income taxes and amortization of investment tax credits	13	121
Other non-cash activities (a)	(51)	(37)
Changes in working capital (b)	(316)	(118)
Pension and non-pension postretirement benefit contributions	(40)	(31)
Net cash provided by operating activities	$ 764	$ 1,029

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable, accrued liabilities, accrued taxes, and other current assets and liabilities, net.

For the nine months ended September 30, 2022, cash provided by operating activities decreased $265 million, primarily due to changes in working capital and deferred taxes. The changes were driven by $313 million of estimated tax payments for taxable gains on the sales of the Company's HOS business and its New York regulated operations, as well as the contribution of $45 million to the American Water Charitable Foundation, partially offset by an increase in net income.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows used in investing activities:

	For the Nine Months Ended September 30,	
	2022	2021
(In millions)		
Net capital expenditures	$ (1,597)	$ (1,205)
Acquisitions	(288)	(78)
Net proceeds from sale of assets	608	—
Other investing activities, net (a)	(85)	(70)
Net cash used in investing activities	$ (1,362)	$ (1,353)

(a) Includes removal costs from property, plant and equipment retirements.

For the nine months ended September 30, 2022, cash used in investing activities increased $9 million, primarily due to increased payments for capital expenditures and acquisitions offset by proceeds of $608 million received from the sale of the Company's New York operations. The Company plans to invest approximately $2.5 billion across its footprint in 2022.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

	For the Nine Months Ended September 30,	
	2022	2021
(In millions)		
Proceeds from long-term debt	$ 822	$ 1,113
Repayments of long-term debt	(14)	(370)
Repayments of term loan	—	(500)
Net short-term borrowings (repayments) with maturities less than three months	50	(97)
Debt issuance costs and make-whole premium on early debt redemption	(7)	(26)
Dividends paid	(348)	(318)
Other financing activities, net (a)	63	46
Net cash provided by (used in) financing activities	$ 566	$ (152)

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment and direct stock purchase plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the nine months ended September 30, 2022, cash provided by financing activities increased $718 million, primarily due to the repayment in full at maturity of the $500 million term loan during the first quarter of 2021 and repayments of long-term debt due to the prepayment of $327 million in aggregate principal amount of AWCC's outstanding senior notes during the second quarter of 2021 with no comparable repayments in 2022. These changes were partially offset by lower proceeds from long-term debt.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On September 30, 2022, the Company's ratio was 0.60 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of October 31, 2022, as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. None of the Company's borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, energy, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 6—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

Financial condition of the Company, results of operations and cash flows, as reflected in the Company's Consolidated Financial statements, are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2021.

The Company had no derivative instruments, which are exposed to market risk, outstanding as of September 30, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

American Water maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2022.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of September 30, 2022, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended September 30, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Form 10-K in Part I, Item 3—Legal Proceedings, and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 in Part II, Item 1—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

In September 2022, the parties completed testimony in the CPUC proceeding to review and approve Cal Am's application to amend and restate the water purchase agreement for the GWR Project. The parties are now meeting and conferring to set hearing dates during the fourth quarter of 2022.

On September 30, 2022, a CPUC-assigned ALJ issued a proposed decision that would, if adopted by the CPUC, authorize Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The proposed decision sets the cost cap for the proposed facilities at approximately $45 million, and the remaining $36 million of costs initially requested have been deferred to a subsequent filing. Under the proposed decision, Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the proposed decision recommended AFUDC be authorized at Cal Am's actual weighted average cost of debt. On October 20, 2022, the parties filed their comments to the proposed decision. Cal Am currently expects a CPUC ruling to be issued by the end of 2022. After that, this matter will remain open as part of a Phase 2 proceeding to update supply and demand amounts for the Water Supply Project and to address certain of the deferred capital requests.

Coastal Development Permit Application

Cal Am responded to the Coastal Commission's February 8, 2022, request for additional information with respect to the original jurisdiction application that Cal Am had refiled in November 2020. On September 1, 2022, the Coastal Commission deemed Cal Am's application complete. A hearing on the application is expected in November 2022.

On October 5, 2022, Cal Am announced a phasing plan for its proposed desalination plant, part of the proposed Water Supply Project. The desalination plant and slant wells approved by the CPUC and currently pending before the Coastal Commission would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and limiting the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

Dunbar, West Virginia Water Main Break Class Action Litigation

On August 26, 2022, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 5, 2022, order certifying a class to address at trial certain liability issues but not to consider damages. The Writ Petition has been supported by an amicus brief filed by certain water and utility industry trade groups. The Supreme Court of Appeals will decide whether to accept the Writ Petition by issuing a Rule to Show Cause.

Chattanooga, Tennessee Class Action Litigation

A hearing that had been originally scheduled for October 2022 to address the question of class certification has been postponed to January 2023.

Other Matters

On April 2, 2021, American Water Resources, LLC ("AWR"), which prior to the sale of HOS was one of the indirect, wholly owned subsidiaries comprising the Company's former HOS operations, received a grand jury subpoena in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY") regarding AWR's operations and contractor network in the New York City metropolitan area. On September 9, 2022, a former employee of AWR pled guilty in U.S. District Court to two felony charges in connection with the matters being investigated by the EDNY. The Company continues to believe that the investigation is not focused on the Company and is cooperating fully with the investigation. While it is not possible at

this time to predict the outcome of the investigation or determine the amount, if any, of fines, penalties or other liabilities that may be incurred in connection with it, the Company does not currently believe that the investigation will have a material adverse effect on the Company's results of operations, financial condition or liquidity.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in the Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A—Risk Factors in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment and direct stock purchase plan and employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended September 30, 2022. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through September 30, 2022, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Amendment and Restatement of Credit Agreement

On October 26, 2022, the parent company and AWCC amended and restated that certain Second Amended and Restated Credit Agreement, dated as of March 21, 2018 (the "Existing Credit Agreement"), by entering into that certain Third Amended and Restated Credit Agreement, by and among the parent company, AWCC, each of the lenders party thereto (each, a "Lender"), Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and Bank of America, N.A., as co-documentation agents (the "Credit Agreement"), with respect to AWCC's unsecured revolving credit facility thereunder. See Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information about the revolving credit facility.

The parent company has executed the Credit Agreement solely to acknowledge and agree that (i) obligations owing by AWCC under the Credit Agreement will constitute "debt" under that certain Support Agreement, dated as of June 22, 2000, as amended by that First Amendment to Support Agreement dated as of July 26, 2000, by and between the parent company and AWCC (the "Support Agreement"), which serves as a functional equivalent of a guarantee by the parent company of AWCC's payment obligations under the Credit Agreement, and (ii) the Credit Agreement contains representations, warranties and covenants that relate to the parent company and that a breach of any of those representations or warranties, or a failure by AWCC to comply with such covenants, could result in an event of default under the Credit Agreement.

The Credit Agreement increases the total maximum commitments under the Existing Credit Agreement to $2.75 billion from $2.25 billion and extends the expiration of the Existing Credit Agreement to October 2027 from March 2025. AWCC may from time to time cause the total maximum commitments under the Credit Agreement to be increased, provided that the aggregate amount of all such commitment increases may not exceed $500 million. AWCC may also request from the Lenders an extension of the expiration date of the Credit Agreement for up to two one-year periods. Such increases and extensions must satisfy certain conditions and, in the case of a request to extend the expiration date of the Credit Agreement, receive approval of the Required Lenders, all as set forth in the Credit Agreement. As of October 26, 2022, no amounts have been borrowed by AWCC under the Credit Agreement, except with respect to letters of credit previously issued under the Credit Agreement's $150 million letter of credit sublimit.

The Credit Agreement contains certain representations and warranties made by AWCC and the parent company at the time it was entered into and, under its terms, AWCC must be in compliance with specified covenants, including (i) the requirement that AWCC maintains a ratio of total consolidated debt to consolidated total capitalization of not more than 0.70 to 1.0, computed in accordance with the terms of the Credit Agreement, (ii) a restriction on the incurrence of liens (other than liens permitted by the Credit Agreement) on the assets of the parent company, AWCC or any of the parent company's significant subsidiaries, (iii) restrictions on sale-leaseback transactions by AWCC, the parent company or any of the parent company's significant subsidiaries, (iv) not causing the Support Agreement to be canceled or terminated, or amended in such a way as to adversely affect the rights of the Lenders, and (v) AWCC engaging in any business, operations or activities other than financing activities for and on behalf of the parent company and its other subsidiaries. The Credit Agreement does not include any credit rating triggers. Certain of the financial covenants with respect to the facility were increased to reflect changes in American Water's size, business and operations since the execution and delivery of the Existing Credit Agreement.

The occurrence of an event of default under the Credit Agreement could result in the acceleration of the repayment obligations of AWCC thereunder. The events of default in the Credit Agreement include, but are not limited to (i) the failure of AWCC to pay when due principal or interest under the Credit Agreement, (ii) the failure to observe or perform AWCC's covenants contained in the Credit Agreement (including the covenants described in the preceding paragraph), subject in certain circumstances to grace periods and notice requirements provided in the Credit Agreement, (iii) any representation, warranty, certification or statement made by or on behalf of AWCC under the Credit Agreement or under any loan document or other document delivered pursuant to the Credit Agreement or a loan document being incorrect in any material respect when made, (iv) the failure of AWCC, the parent company or any significant subsidiary of the parent company to pay amounts due under certain other indebtedness, (v) the default of the parent company in the performance or observance of any obligation or condition under specified provisions of the Support Agreement, (vi) the occurrence of certain bankruptcy events, judgments or decrees against AWCC, the parent company or any of the parent company's significant subsidiaries, (vii) the failure of AWCC, the parent company or any of the parent company's significant subsidiaries to pay or otherwise discharge certain monetary judgments, (viii) the occurrence of certain events under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or with respect to certain employee pension benefit plans covered by ERISA, (ix) the unenforceability of any material provision of the Support Agreement, or the assertion by any court or governmental or regulatory body having jurisdiction over the parent company of the unenforceability of any such provision in writing, or the contesting by the parent company of the validity or enforceability of any such provision, (x) the occurrence of a change of control (as defined in the Credit Agreement) involving the parent company, or (xi) the parent company ceasing to own, directly or indirectly, all of the common stock of AWCC.

In the ordinary course of business, certain of the Lenders and their respective affiliates have from time to time engaged, and likely will in the future engage, in transactions with, and from time to time have performed various financial advisory, commercial banking, investment banking, treasury, trustee and other services for, and likely will in the future perform such services for, AWCC and American Water, for which they received, or will continue to receive, customary fees or compensation. In addition, affiliates of certain of the Lenders act as issuing and paying agent or dealer under AWCC's commercial paper program.

The foregoing description of the Credit Agreement does not purport to be complete and is subject to, and is qualified in its entirety by, the full text of the Credit Agreement, which is attached to this Form 10-Q as Exhibit 10.1 and incorporated herein by reference.

Increase in Size of AWCC's Commercial Paper Program

On October 26, 2022, AWCC increased the size of its program to permit the issuance of short-term commercial paper notes by AWCC in an aggregate principal amount not to exceed $2.60 billion outstanding at any time, an increase from the prior maximum size of $2.10 billion. The notes issued by AWCC under the commercial paper program are considered "debt" for purposes of the Support Agreement. The offer and sale of the commercial paper notes and related obligations of the parent company under the Support Agreement have not been and will not be registered under the Securities Act in reliance upon the exemption provided by Section 4(a)(2) thereof, and may not be offered or sold absent registration or an applicable exemption from such registration requirements. The information contained in this Form 10-Q shall not constitute an offer to sell or the solicitation of an offer to buy commercial paper

notes issued by AWCC from time to time under its commercial paper program or the related support obligations of the parent company under the Support Agreement.

New 2022 Annual Performance Plan Goals

In alignment with the Company's commitment to inclusion, diversity and equity, in the first quarter of 2022, two new people-related goals were added to the Company's 2022 Annual Performance Plan: female percentage of the Company's overall workforce, and ethnic and racial percentage of the Company's overall workforce.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
4.1	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.2	Officers' Certificate of American Water Capital Corp., dated May 5, 2022, establishing the terms and authorizing the issuance of the 4.450% Senior Notes due 2032 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 5, 2022).
*10.1	Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, U.S. Bank National Association, and Bank of America, N.A., as co-documentation agents.
22.1	Guaranteed Securities (incorporated by reference to Exhibit 22.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 27, 2022).
*31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith. Certain exhibits to this document have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted exhibits to the SEC upon request.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 31st day of October, 2022.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Chief Accounting Officer
(Principal Accounting Officer)

Execution Version

U.S. $2,750,000,000

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

dated as of October 26, 2022

by and among

AMERICAN WATER CAPITAL CORP.
as Borrower

THE LENDERS

and

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Administrative Agent

and

JPMORGAN CHASE BANK, N.A.
as Syndication Agent

and

MIZUHO BANK, LTD.
PNC BANK, NATIONAL ASSOCIATION
U.S. BANK NATIONAL ASSOCIATION
BANK OF AMERICA, N.A.
as Co-Documentation Agents

WELLS FARGO SECURITIES, LLC
JPMORGAN CHASE BANK, N.A.
MIZUHO BANK, LTD.
PNC CAPITAL MARKETS LLC
U.S. BANK NATIONAL ASSOCIATION
BOFA SECURITIES, INC.
ROYAL BANK OF CANADA
as Joint Lead Arrangers and Joint Bookrunners

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Exhibit A Form of Notice of Borrowing
Exhibit B Form of Request for Issuance
Exhibit C Form of Assignment and Acceptance
Exhibit D Form of Note
Exhibit E Form of Financial Services Agreement
Exhibit F-1 Form of U.S. Tax Compliance Certificate (Lender; Not Partnership)
Exhibit F-2 Form of U.S. Tax Compliance Certificate (Participant; Not Partnership)
Exhibit F-3 Form of U.S. Tax Compliance Certificate (Participant; Partnership)
Exhibit F-4 Form of U.S. Tax Compliance Certificate (Lender; Partnership)

* The following exhibits to this Agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. American Water Works Company, Inc. will furnish the omitted exhibits to the Securities and Exchange Commission upon request.

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

THIS THIRD AMENDED AND RESTATED CREDIT AGREEMENT, dated as of October 26, 2022 (this "***Agreement***"), is by and among **AMERICAN WATER CAPITAL CORP.**, a Delaware corporation (the "***Borrower***"), the Lenders from time to time party hereto (collectively, the "***Lenders***"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as Administrative Agent for the Lenders (in such capacity, together with its successors and assigns, the "***Administrative Agent***").

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to that certain Second Amended and Restated Credit Agreement dated as of March 21, 2018 (as amended and in effect immediately prior to the date hereof, the "Existing Credit Agreement");

WHEREAS, the Borrower has requested the Lenders and the Administrative Agent amend and restate the Existing Credit Agreement to modify the Existing Credit Agreement in certain respects;

WHEREAS, the Borrower acknowledges and agrees that the Obligations represent, among other things, the amendment, restatement, renewal, extension, consolidation and modification of the Obligations (as defined in the Existing Credit Agreement) arising in connection with the Existing Credit Agreement and other Loan Documents (as defined in the Existing Credit Agreement) executed in connection therewith; and

WHEREAS, the Borrower intends that (a) the provisions of the Existing Credit Agreement and the other Loan Documents (as defined in the Existing Credit Agreement) executed in connection therewith, to the extent restated, renewed, extended, consolidated, amended and modified hereby, be hereby superseded and replaced by the provisions hereof and of the other Loan Documents; and (b) by entering into and performing its Obligations hereunder, this transaction shall not constitute a novation.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree that the Existing Credit Agreement is hereby amended and restated, as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Certain Defined Terms. The terms defined in this Section 1.01 shall, for all purposes of this Agreement, have the meanings set forth herein:

"***Act***" means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended.

"***Adjusted Term SOFR***" means, for purposes of any calculation, the rate per annum equal to (a) Term SOFR for such calculation plus (b) the Term SOFR Adjustment; provided that if Adjusted Term SOFR as so determined shall ever be less than the Floor, then Adjusted Term SOFR shall be deemed to be the Floor.

"***Adjusted Term SOFR Market Index Rate***" means, for purposes of any calculation and with respect to any day, the daily floating rate per annum for one-month Term SOFR plus the Term SOFR Adjustment.

"***Administrative Agent***" has the meaning set forth in the preamble.

"***Affected Financial Institution***" means (a) any EEA Financial Institution or (b) any UK Financial Institution**.**

"***Affiliate***" means, with respect to any Person, any other Person directly or indirectly controlling (including but not limited to all directors and officers of such Person), controlled by, or under direct or indirect common control with such Person. A Person shall be deemed to control another entity if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities, by contract, or otherwise.

"***Agreement***" has the meaning set forth in the preamble.

"***Anti-Corruption Laws***" means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Subsidiaries from time to time concerning or relating to bribery or corruption, including, without limitation, the United States Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.

"***Anti-Money Laundering Laws***" means any and all laws, statutes, regulations or obligatory government orders, decrees, ordinances or rules applicable to the Borrower or its Subsidiaries related to terrorism financing or money laundering, including any applicable provision of the Act and The Currency and Foreign Transactions Reporting Act (also known as the "Bank Secrecy Act," 31 U.S.C. §§ 5311-5330 and 12U.S.C. §§ 1818(s), 1820(b) and 1951-1959).

"***Applicable Percentage***" means, with respect to the Facility Fee or any SOFR Loan, Base Rate Loan or Swingline Loan, at all times during which any Applicable Rating Level set forth below is in effect, the rate per annum for the Facility Fee or such Loan set forth below next to such Applicable Rating Level.

Applicable Rating Level	Applicable Percentage for Facility Fee	Applicable Percentage for SOFR Loans	Applicable Percentage for Base Rate Loans
1	0.060%	0.690%	0.000%
2	0.075%	0.800%	0.000%
3	0.100%	0.900%	0.000%
4	0.125%	1.000%	0.000%
5	0.175%	1.075%	0.075%

The Applicable Percentage shall be determined in accordance with the foregoing table based on the Applicable Rating Level as determined from the Borrower's then-applicable Moody's Rating and S&P Rating. Any change in the Applicable Percentages resulting from a change in the Applicable Rating Level shall become effective upon the date of announcement of any change in the Moody's Rating or the S&P Rating of the Borrower that results in such change in the Applicable Rating Level.

"***Applicable Rating Level***" at any time shall be determined in accordance with the Borrower's then-

applicable S&P Rating and the Borrower's then-applicable Moody's Rating as follows:

S&P Rating/Moody's Rating	Applicable Rating Level
S&P Rating AA- or higher or Moody's Rating Aa3 or higher	1
S&P Rating A+ or Moody's Rating A1	2
S&P Rating A or Moody's Rating A2	3
S&P Rating A- or Moody's Rating A3	4
S&P Rating BBB+ or below or Moody's Rating Baa1 or below	5

The Applicable Rating Level for any day shall be determined based upon the higher of the S&P Rating and the Moody's Rating of the Borrower in effect on such day. If the S&P Rating and the Moody's Rating of the Borrower are not the same (*i.e.*, a "split rating"), the higher of such ratings shall control, unless the S&P Rating is below BBB- or the Moody's Rating is below Baa3, in which case the lower of the two ratings shall control.

"***Approved Fund***" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"***Assignee***" means the assignee of all or a portion of a Lender's rights and obligations under this Agreement pursuant to the terms of Section 7.05(b).

"***Assignment and Acceptance***" means an Assignment and Acceptance executed in accordance with Section 7.05(b) in the form attached hereto as Exhibit C.

"***Attributable Debt***" means, on any date of determination, (a) in respect of any Capitalized Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease, the capitalized amount or principal amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a Capitalized Lease.

"***Available Tenor***" means, as of any date of determination and with respect to the then-current Benchmark, as applicable, (a) if such Benchmark is a term rate, any tenor for such Benchmark (or component thereof) that is or may be used for determining the length of an interest period pursuant to this Agreement or (b) otherwise, any payment period for interest calculated with reference to such Benchmark (or component thereof) that is or may be used for determining any frequency of making payments of interest calculated with reference to such Benchmark, in each case, as of such date and not including any tenor for such Benchmark that is then-removed from the definition of "Interest Period" pursuant to Section 2.18(c)(iv).

"***Bail-In Action***" means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

"***Bail-In Legislation***" means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation, rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

"***Base Rate***" means, at any time, the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.50% and (c) Adjusted Term SOFR Market Index Rate in effect on such day plus 1.0%; each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate, the Federal Funds Rate or Adjusted Term SOFR Market Index Rate, as applicable (provided that clause (c) shall not be applicable during any period in which Adjusted Term SOFR Market Index Rate is unavailable or unascertainable). Notwithstanding the foregoing, in no event shall the Base Rate be less than the Floor.

"***Base Rate Loan***" means a loan that bears interest based upon the Base Rate as provided in Section 2.08(a)(i).

"***Benchmark***" means, initially, the Term SOFR Reference Rate; provided that if a Benchmark Transition Event has occurred with respect to the Term SOFR Reference Rate or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 2.18(c)(i).

"***Benchmark Replacement***" means, with respect to any Benchmark Transition Event, the sum of: (a) the alternate benchmark rate that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement to the then-current Benchmark for Dollar-denominated syndicated credit facilities and (b) the related Benchmark Replacement Adjustment; provided that, if such Benchmark Replacement as so determined would be less than the Floor, such Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents.

"***Benchmark Replacement Adjustment***" means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement for any applicable Available Tenor, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for Dollar-denominated syndicated credit facilities.

"***Benchmark Replacement Date***" means the earlier to occur of the following events with respect to the then-current Benchmark:

(a) in the case of clause (a) or (b) of the definition of "Benchmark Transition Event," the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof)

permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof); or

(b) in the case of clause (c) of the definition of "Benchmark Transition Event," the first date on which such Benchmark (or the published component used in the calculation thereof) has been determined and announced by the regulatory supervisor for the administrator of such Benchmark (or such component thereof) to be non-representative; provided that such non-representativeness will be determined by reference to the most recent statement or publication referenced in such clause (c) and even if any Available Tenor of such Benchmark (or such component thereof) continues to be provided on such date.

For the avoidance of doubt, the "Benchmark Replacement Date" will be deemed to have occurred in the case of clause (a) or (b) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

"***Benchmark Transition Event***" means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(a) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);

(b) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the FRB, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof); or

(c) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that all Available Tenors of such Benchmark (or such component thereof) are not, or as of a specified future date will not be, representative.

For the avoidance of doubt, a "Benchmark Transition Event" will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

"***Benchmark Transition Start Date***" means, in the case of a Benchmark Transition Event, the earlier of (a) the applicable Benchmark Replacement Date and (b) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of

such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication).

"***Benchmark Unavailability Period***" means the period (if any) (x) beginning at the time that a Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 2.18(c)(i) and (y) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 2.18(c)(i).

"***Beneficial Ownership Certification***" means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

"***Beneficial Ownership Regulation***" means 31 CFR § 1010.230.

"***Benefit Plan***" means any of (a) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan".

"***BHC Act Affiliate***" of a party shall mean an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

"***Borrower***" has the meaning set forth in the preamble.

"***Borrower Materials***" has the meaning set forth in Section 5.01.

"***Borrowing***" means a borrowing hereunder consisting of Base Rate Loans or SOFR Loans made to the Borrower.

"***Business Day***" means a day of the year on which banks are not required or authorized to close in New York City or Charlotte, North Carolina.

"***Capitalized Lease***" of any Person means, subject to Section 1.02, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as finance leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"***Cash Collateral Account***" has the meaning set forth in Section 6.02.

"***Cash Collateralize***" means, to pledge and deposit in the Cash Collateral Account, or to pledge and deposit with or deliver to the Administrative Agent, for the benefit of one or more of the LC Issuing Banks, the Swingline Banks or the Lenders, as collateral for Letters of Credit, obligations of Lenders to fund participations in respect of Letters of Credit or for the obligations of Lenders to purchase their respective Pro Rata Shares in respect of Swingline Loans, cash or deposit account balances or, if the Administrative Agent and each applicable LC Issuing Bank or Swingline Bank, as applicable, shall agree in their reasonable discretion, other credit support, in each case pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and each applicable LC Issuing Bank or Swingline Bank, as applicable. "***Cash Collateral***" shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

"***CERCLA***" means the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C., § 9601, *et seq*., as amended from time to time, and any regulations promulgated thereunder.

"***Change in Law***" means the occurrence, after the Closing Date (or, if later, on or after the date the Administrative Agent or any Lender becomes the Administrative Agent or a Lender, respectively), of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"***Closing Date***" means the date of this Agreement.

"***Code***" means the Internal Revenue Code of 1986, as amended from time to time, or any successor federal tax code. Any reference to any provision of the Code shall also be deemed to be a reference to any successor provision or provisions thereof.

"***Commitment***" means (i) with respect to each Lender, the commitment of such Lender to make its Pro Rata Percentage of Loans and to participate in Letters of Credit in an aggregate amount up to the amount set forth opposite the name of each Lender on Schedule I, subject to adjustment on account of assignment pursuant to Section 7.05(b), reduction of the Commitment pursuant to Section 2.10 or 2.24(d), or increase in the Commitment pursuant to Section 2.05, and (ii) with respect to the Lenders collectively, the aggregate amount of all such Commitments.

"***Commitment Letter***" means, that Commitment Letter, dated October 3, 2022 by and among the Borrower, the Parent, Wells Fargo, PNC Bank, National Association, and the Joint Lead Arrangers.

"***Common Stock***" means with respect to any Person, the voting securities or equivalent equity interests of such Person having general voting rights, including the right to vote in the election of members of the board of directors (or persons performing similar functions) of such Person.

"***Conforming Changes***" means, with respect to either the use or administration of Term SOFR or the use, administration, adoption or implementation of any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Base Rate," the definition of "Business Day," the definition of "U.S. Government Securities Business Day," the definition of "Interest Period" or any similar or analogous definition (or the addition of a concept of "interest period"), timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, the applicability and length of lookback periods, the applicability of Section 2.13 and other technical, administrative or operational matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of any such rate or to permit the use and administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of any such rate exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement and the other Loan Documents).

"***Connection Income Taxes***" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"***Consolidated Tangible Total Assets***" means, as at any applicable time of determination, Consolidated Total Assets less, without duplication, all intangible assets such as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset, in each case as set forth in the most recently available consolidated balance sheet of the Parent and its Subsidiaries.

"***Consolidated Total Assets***" means, as at any applicable time of determination, the total assets of Parent and its Subsidiaries as set forth in the most recently available consolidated financial statements of the Parent and its Subsidiaries.

"***Consolidated Total Capitalization***" means at any date of determination with respect to the Parent and its Subsidiaries, determined on a consolidated basis in accordance with GAAP, the sum of (without duplication) (i) Consolidated Total Debt of the Parent and its Subsidiaries, plus (ii) the sum of the capital stock (excluding treasury stock and capital stock subscribed for and unissued) and surplus (including earning surplus, capital surplus, translation adjustment, the balance of the current profit and loss account not transferred to surplus and accumulated other comprehensive income) accounts of the Parent and its Subsidiaries, in each case as shown on the most recent consolidated balance sheet of the Parent and its Subsidiaries delivered pursuant to Section 5.01(a).

"***Consolidated Total Debt***" means at any date of determination with respect to the Parent and its Subsidiaries, determined on a consolidated basis in accordance with GAAP, the sum of (without duplication) all then outstanding Debt of the Parent and its Subsidiaries as shown on the most recent consolidated balance sheet of the Parent delivered pursuant to Section 5.01(a).

"***Continuing Directors***" means the directors of the Parent on the Closing Date and each subsequent director of the Parent, if, in each case, such subsequent director's election or nomination for election to the board of directors (or equivalent governing body) of the Parent is approved or ratified by at least a majority of the then "Continuing Directors".

"***Controlled Group***" means, with respect to any Person, all trades or businesses (whether or not incorporated) that, together with such Person, are treated as a single employer under Section 414 of the Code.

"***Convert***", "***Conversion***", "***Converted***", "***Continue***" and "***Continued***" each refers to a conversion of Loans of one Type into Loans of another Type or the selection of a new, or the renewal or continuation of the same, Interest Period for SOFR Loans, as the case may be, pursuant to Section 2.18(b). "Converting", "Continuing" and "Continuation" have meanings correlative thereto.

"***Covered Entity***" shall mean any of the following: (i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"***Current Termination Date***" has the meaning set forth in Section 2.06(b).

"***Debt***" means, for any Person, (without duplication), all (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or service (other than trade payables not overdue by more than 90 days incurred in the ordinary course of business), (iv) the Attributable Debt of such Person with respect to

such Person's obligations in respect of Capitalized Leases (regardless of whether accounted for as indebtedness under GAAP), (v) indebtedness of the type referred to in clauses (i) through (iv) above secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien or encumbrance on, or security interest in, property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness, and (vi) all obligations of such Person for indebtedness or obligations of others of the kinds referred to in clauses (i) through (v) above under direct or indirect Guarantees, excluding, in all cases, (a) advances for construction as set forth on the consolidated balance sheet of the Parent and its Subsidiaries, (b) reimbursement obligations (contingent or otherwise) in respect of outstanding letters of credit and (c) the Attributable Debt of such Person with respect to such Person's obligations in respect of Synthetic Leases (regardless of whether accounted for as indebtedness under GAAP).

"***Debtor Relief Laws***" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

"***Default***" means any condition or event that constitutes an Event of Default or that with the giving of notice or lapse of time or both would, unless cured or waived in writing, become an Event of Default.

"***Default Right***" shall have the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"***Defaulting Lender***" means, subject to Section 2.24(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two (2) Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, any LC Issuing Bank, any Swingline Bank or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit or Swingline Loans) within two (2) Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or any LC Issuing Bank or Swingline Bank in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, (iii) indicated its consent to, approval of or acquiescence in any such proceeding or appointment, or (iv) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of

attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (e) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.24(b)) upon delivery of written notice of such determination to the Borrower, each LC Issuing Bank, each Swingline Bank and each Lender.

"***Designated Lender***" has the meaning set forth in Section 2.05(a).

"***Dollars***" or "***$***" means dollars in lawful currency of the United States of America.

"***EEA Financial Institution***" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"***EEA Member Country***" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"***EEA Resolution Authority***" means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any credit institution or investment firm established in any EEA Member Country.

"***Eligible Assignee***" means (i) a Lender; (ii) an Affiliate of a Lender; (iii) an Approved Fund; and (iv) any bank or financial institution approved by (w) the Administrative Agent, (x) except for any Swingline Bank which is a Lender being replaced pursuant to Section 2.23(b), each Swingline Bank, (y) except for any LC Issuing Bank which (1) is a Lender being replaced pursuant to Section 2.23(b) and (2) has no Letters of Credit issued by it on such date of replacement, each LC Issuing Bank and (z) unless an Event of Default described in Section 6.01(a), 6.01(g) or 6.01(h) has occurred and is continuing at the time any assignment is effected in accordance with Section 7.05, the Borrower (each such approval not to be unreasonably withheld or delayed and such approval to be deemed given by the Borrower if no objection is received by the assigning Lender and the Administrative Agent from the Borrower within ten (10) Business Days after notice of such proposed assignment has been received by the Borrower); provided that (A) the Borrower or any of the Borrower's Subsidiaries or Affiliates, (B) any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B) and (C) any natural Person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person) shall not qualify as an Eligible Assignee.

"***Environmental Liabilities***" means any liabilities, whether accrued, contingent or otherwise, arising from and in any way associated with the compliance or non-compliance with any Environmental Requirement.

"***Environmental Proceedings***" means any judicial or administrative proceedings arising from or in any way associated with any Environmental Requirement.

"***Environmental Requirement***" means, with respect to any Person, any legal requirement relating to health, safety or the environment and applicable to such Person, or the Properties of such Person, including but not limited to any such requirement under CERCLA, RCRA or similar state legislation and all federal, state and local laws, ordinances, regulations, orders, writs, decrees and common law.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law. Any reference to any provision of ERISA shall also be deemed to be a reference to any successor provision or provisions thereof.

"***Erroneous Payment***" has the meaning assigned thereto in Section 8.10(a).

"***Erroneous Payment Deficiency Assignment***" has the meaning assigned thereto in Section 8.10(d).

"***Erroneous Payment Impacted Class***" has the meaning assigned thereto in Section 8.10(d).

"***Erroneous Payment Return Deficiency***" has the meaning assigned thereto in Section 8.10(d).

"***EU Bail-In Legislation Schedule***" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

"***Event of Default***" has the meaning set forth in Section 6.01.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended from time to time.

"***Excluded Taxes***" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.23(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.17, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.17(g) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"***Existing Credit Agreement***" has the meaning set forth in the recitals.

"***Existing Letters of Credit***" means the letters of credit set forth on Schedule 2.04(k).

"***Extension of Credit***" means (i) the making of a Loan or (ii) the issuance of a Letter of Credit or the amendment of any Letter of Credit having the effect of extending the stated termination date thereof or increasing the maximum amount to be drawn thereunder.

"***Extension Request***" has the meaning specified in Section 2.06(b).

"***Facility Fee***" has the meaning set forth in Section 2.09(a).

"***FATCA***" means Sections 1471 through 1474 of the Code, as of the Closing Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code.

"***Federal Funds Rate***" means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that if such rate is not so published for any day which is a Business Day, the Federal Funds Rate for such day shall be the average of the quotation for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent. Notwithstanding the foregoing, if the Federal Funds Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"***Fee Letter***" means each of those certain fee letters, dated October 3, 2022, among the Borrower and each of the Joint Lead Arrangers and the other parties thereto.

"***Financial Officer***" of any Person means the chief financial officer, principal accounting officer, treasurer, assistant treasurer, controller or assistant controller of such Person.

"***Financial Services Agreement***" means any Financial Services Agreement between the Borrower and one or more of the Parent and the Operating Utilities, each in substantially the form of Exhibit E; provided that for purposes of Section 3.01(c)(i), the term "Financial Services Agreement" means the Financial Services Agreement dated as of June 15, 2000, between the Borrower and the Parent.

"***Fiscal Quarter***" means any fiscal quarter of the Borrower or the Parent, as applicable.

"***Fiscal Year***" means any fiscal year of the Borrower or the Parent, as applicable.

"***Floor***" means a rate of interest equal to 0%.

"***Foreign Lender***" means a Lender that is not a U.S. Person.

"***FRB***" means the Board of Governors of the Federal Reserve System of the United States.

"***Fronting Exposure***" means, at any time there is a Defaulting Lender, (a) with respect to any LC Issuing Bank, such Defaulting Lender's Pro Rata Percentage of the LC Outstandings with respect to Letters of Credit issued by such LC Issuing Bank other than LC Outstandings as to which such Defaulting Lender's participation obligation has been reallocated to Non-Defaulting Lenders or Cash Collateralized in accordance with the terms hereof, and (b) with respect to any Swingline Bank, such Defaulting Lender's Pro Rata Percentage of outstanding Swingline Loans made by such Swingline Bank other than Swingline Loans as to which such Defaulting Lender's participation obligation has been reallocated to Non-Defaulting Lenders or Cash Collateralized in accordance with the terms hereof.

"***Fund***" means any Person (other than a natural Person) that is engaged in making, purchasing, holding or otherwise investing in commercial loans, bonds and similar extensions of credit in the ordinary course of its business.

"***GAAP***" means generally accepted accounting principles in the United States of America in effect from time to time.

"***Governmental Authority***" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"***Guarantee***" means, with respect to any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to secure, purchase or pay (or advance or supply funds) for the purchase or payment of such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to provide collateral security or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee shall be deemed to be the lower of (x) an amount equal to the stated or determinable amount of the obligation in respect of which such Guarantee is made and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guarantee, unless such obligation and the maximum amount for which such Person may be liable are not stated or determinable, in which case the amount of such Guarantee shall be such Person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith. The term "Guarantee" used as a verb has a corresponding meaning.

"***Hazardous Materials***" means (i) solid or hazardous waste, as defined in the RCRA, or in any applicable state or local law or regulation, (ii) "hazardous substance", "pollutant" or "contaminant" as defined in CERCLA, or in any applicable state or local law or regulation, (iii) gasoline, or any other petroleum product or by-product, including crude oil or any fraction thereof, (iv) "toxic substances", as defined in the Toxic Substances Control Act of 1976, or in any applicable state or local law or regulation and (v) "insecticides", "fungicides" or "rodenticides", as defined in the Federal Insecticide, Fungicide, and Rodenticide Act of 1975 or in any applicable state or local law or regulation.

"***Indemnified Taxes***" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

"***Indemnitee***" has the meaning set forth in Section 7.03(b).

"***Interest Period***" means, for each SOFR Loan, the period commencing on the date such SOFR Loan is disbursed or converted to or continued as a SOFR Loan and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. In the case of a SOFR Loan, the duration of each such Interest Period shall be one, three, or six months, in each case as the Borrower may select by notice to the Administrative Agent pursuant to Section 2.02(a) or 2.18(b); provided, that:

(1) the Borrower may not select any Interest Period that ends after the stated Termination Date;

(2) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day; provided, in the case of any Interest Period for a SOFR Loan, that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day;

(3) any Interest Period for a SOFR Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month at the end of such Interest Period;

(4) the Interest Period shall commence on the date of Loan of or Conversion to any SOFR Loan and, in the case of immediately successive Interest Periods, each successive Interest Period shall commence on the date on which the immediately preceding Interest Period expires; and

(5) there shall be no more than twelve (12) Interest Periods in effect at any time.

"***Investment Company Act***" has the meaning set forth in Section 4.08.

"***IRS***" means the United States Internal Revenue Service.

"***Joint Lead Arranger***" means each of Wells Fargo Securities, LLC, JPMorgan Chase Bank, N.A., Mizuho Bank, Ltd., PNC Capital Markets LLC, U.S. Bank National Association, BofA Securities, Inc., and Royal Bank of Canada, and their respective successors, in their capacity as joint lead arrangers and joint bookrunners.

"***LC Commitment***" means in the case of (a) an LC Issuing Bank described in clause (a) of the definition of such term, the amount set forth on Schedule 2.04 opposite such LC Issuing Bank's name and (b) any other LC Issuing Bank, the amount set forth in the agreement executed by the Borrower, such relevant LC Issuing Bank and acknowledged (to evidence its consent as to the identity of such LC Issuing Bank) by the Administrative Agent, in each case, subject to adjustment on account of a reduction in the LC Commitments pursuant to Section 2.10. The aggregate LC Commitments of all the LC Issuing Banks on the Closing Date shall be $150,000,000. The LC Commitment of each LC Issuing Bank shall be a part of and not in addition to such LC Issuing Bank's Commitment as a Lender.

"***LC Disbursement***" has the meaning set forth in Section 2.04(e).

"***LC Fee***" has the meaning set forth in Section 2.09(b).

"***LC Issuing Bank***" means, as to any Letter of Credit, (a) each Lender listed on Schedule 2.04 and (b) any other Lender appointed by the Borrower and approved by the Administrative Agent (such approval not to be unreasonably withheld or delayed) that agrees pursuant to Section 2.04 to act as an LC Issuing Bank hereunder.

"***LC Notice Date***" has the meaning set forth in Section 2.04(f).

"***LC Outstandings***" means, on any date of determination, (i) the undrawn stated amounts of all Letters of Credit that are outstanding on such date, plus (ii) the aggregate principal amount of all unpaid Reimbursement Obligations on such date with respect to payments made by any LC Issuing Bank under any Letter of Credit.

"***LC Payment Notice***" has the meaning set forth in Section 2.04(f).

"***LC Reimbursement Due Date***" has the meaning set forth in Section 2.04(e).

"***Lenders***" means each of the Lenders identified on the signature pages hereto, and their successors and permitted assigns.

"***Lending Office***" means, with respect to any Lender, the office of such Lender maintaining such Lender's Extensions of Credit.

"***Letter of Credit***" means any letter of credit issued by an LC Issuing Bank pursuant to Section 2.04.

"***Lien***" means, with respect to any asset, any mortgage, leasehold mortgage, lien, pledge, charge, security interest, hypothecation or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capitalized Lease or other title retention agreement relating to such asset.

"***Loan***" means a Base Rate Loan, a SOFR Loan, or a Swingline Loan, and "***Loans***" means Base Rate Loans, SOFR Loans, or Swingline Loans, or any or all of them, as the context shall require.

"***Loan Documents***" means this Agreement, the Support Agreement, each Fee Letter, the Notes and any other document evidencing, relating to or securing the Loans, and any other document or instrument delivered from time to time in connection with this Agreement, the Notes or the Loans.

"***Margin Regulations***" means Regulations T, U and X of the FRB, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"***Margin Stock***" has the meaning assigned to that term in the Margin Regulations.

"***Material Adverse Change***" means any (i) material adverse change with respect to the Properties, business, condition (financial or otherwise) or operations of the Borrower or of the Parent and its Subsidiaries, taken as a whole, or (ii) material adverse effect on the legality, validity or enforceability of the Loan Documents or on the ability of the Borrower or the Parent to perform its obligations thereunder.

"***Moody's***" means Moody's Investors Service, Inc.

"***Moody's Rating***" means, with respect to any Person, on any date of determination, the debt rating most recently announced by Moody's with respect to the senior unsecured, non-credit enhanced debt issued by such Person.

"***Multiemployer Plan***" means a plan as described in Section 4001(a)(3) of ERISA to which the Borrower, the Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing contributes or has an obligation to contribute.

"***Non-Consenting Lender***" has the meaning set forth in Section 7.04(b).

"***Non-Defaulting Lender***" means, at any time, each Lender that is not a Defaulting Lender at such time.

"***Non-Extending Lender***" has the meaning set forth in Section 2.06(b).

"***Note***" or "***Notes***" means each of the promissory notes of the Borrower, evidencing the obligation of the Borrower to repay the Loans to the Lenders substantially in the form of Exhibit D.

"***Notice of Borrowing***" has the meaning set forth in Section 2.02(a).

"***Notice of Swingline Borrowing***" has the meaning set forth in Section 2.03(a).

"***Obligations***" means, in each case, whether now in existence or hereafter arising: (a) the principal of and interest on (including interest accruing after the filing of any bankruptcy or similar petition) the Loans, (b) the LC Outstandings and any interest thereon and (c) all other fees (including reasonable and documented attorneys' fees), charges, indebtedness, loans, liabilities, financial accommodations, obligations, covenants and duties owing by the Borrower to the Lenders, the LC Issuing Banks or the Administrative Agent, in each case under any Loan Document, with respect to any Loan or Letter of Credit of every kind, nature and description, direct or indirect, absolute or contingent, due or to become due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note and including interest and fees that accrue after the commencement by or against the Borrower or the Parent of any proceeding under any federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts, naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"***OFAC***" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"***Operating Lease***" means, as to any Person as determined in accordance with GAAP, any lease of Property (whether real, personal or mixed) by such Person as lessee which is not a Capitalized Lease.

"***Operating Utilities***" means, as of any date of determination, those Subsidiaries of the Parent that are operating water and/or wastewater utilities and that are party to a Financial Services Agreement with the Borrower and the Parent.

"***Other Connection Taxes***" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"***Other Taxes***" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.23).

"***Outstanding Credits***" means, on any date of determination, an amount equal to the sum of (i) the aggregate principal amount of all Loans outstanding on such date plus (ii) the LC Outstandings on such date. The "Outstanding Credits" of any Lender means, on any date of determination, an amount equal to such Lender's Pro Rata Share of the aggregate Outstanding Credits on such date.

"***Parent***" means American Water Works Company, Inc., a Delaware corporation.

"***Parent Change of Control***" means the occurrence of either of the following: (i) any entity, person (within the meaning of Section 14(d) of the Exchange Act) or group (within the meaning of Section 13(d) of the Exchange Act), that theretofore was beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of less than 45% of the Parent's then outstanding Common Stock acquires direct or indirect beneficial ownership of shares of Common Stock of the Parent, in a transaction or series of transactions, that results in such entity, person or group directly or indirectly owning beneficially 45% or more of the Parent's then outstanding Common Stock; or (ii) a majority of the board of directors (or equivalent governing body) of the Parent shall not be Continuing Directors.

"***Participant***" has the meaning set forth in Section 7.05(e).

"***Participant Register***" has the meaning set forth in Section 7.05(e).

"***Participation Interest***" means a purchase by a Lender of a participation in Loans as provided in Section 2.22.

"***Payment Date***" means each March 31, June 30, September 30 and December 31 and the Termination Date.

"***Payment Recipient***" has the meaning assigned thereto in Section 8.10(a).

"***PBGC***" means the Pension Benefit Guaranty Corporation pursuant to Subtitle A or Title IV of ERISA or any entity succeeding to any or all of its functions under ERISA.

"***Permitted Liens***" means:

(i) Liens existing, or created pursuant to the terms of agreements existing, on the Closing Date;

(ii) Liens consisting of (A) pledges or deposits in the ordinary course of business to secure obligations under workmen's compensation laws or similar legislation, (B) deposits in the ordinary course of business to secure or in lieu of surety, appeal or customs bonds to which the Borrower, the Parent or a Significant Subsidiary of the Parent is a party, (C) Liens created by or resulting from any litigation or legal proceeding which is currently being contested in good faith by appropriate proceedings diligently conducted, (D) pledges or deposits in the ordinary course of business to secure performance in connection with bids, tenders or contracts (other than contracts for the payment of money) or (E) materialmen's, mechanics', carriers', workmen's, repairmen's or other like Liens incurred in the ordinary course of business for sums not yet due or currently being contested in good faith by appropriate proceedings diligently conducted;

(iii) Liens created to secure tax-exempt Debt or any other tax-exempt indebtedness, in connection with the financing or refinancing of the purchase, lease or construction of Properties or other assets;

(iv) Liens on Properties or assets (A) of any Person existing at the time such Person is merged or consolidated with or into, or such asset is acquired by, the Borrower, the Parent or a Subsidiary of the Parent and (B) of the Borrower, the Parent or a Subsidiary of the Parent existing at the time such tangible property or tangible assets are purchased or otherwise acquired by the Borrower, the Parent or such Subsidiary; provided that, with respect to each of the foregoing clauses (A) and (B), (1) such Liens are not incurred in connection with, or in anticipation of, such event, purchase or other acquisition, and (2) such Liens do not attach to any other Property or asset of the

Borrower, the Parent or any such Subsidiary; and provided further that, with respect to the foregoing clause (B), (1) such Liens are applicable only to specific Property or assets, and (2) such Liens are not "blanket" or all asset Liens;

(v) Liens created to secure sales of accounts receivable and other receivables;

(vi) licenses of intellectual property granted by the Borrower, the Parent or a Subsidiary of the Parent in the ordinary course of business and not interfering in any material respect with the ordinary conduct of business;

(vii) Liens of landlords arising under real property leases to the extent such Liens arise in the ordinary course of business and do not secure any past due obligation for the payment of money;

(viii) any interest or title of a lessor or sublessor under any lease permitted by this Agreement;

(ix) Liens, securing Debt which has neither been assumed by the Borrower, the Parent or a Subsidiary of the Parent nor upon which it customarily pays interest charges, existing upon real property, or rights in or relating thereto, which real property or rights were acquired for right-of-way purposes;

(x) zoning laws and ordinances;

(xi) Capitalized Leases;

(xii) easements, rights-of-way, restrictions, conditions and other similar encumbrances, minor defects or irregularities of title, and alleys, streets and highways, which in the aggregate do not materially impair the usefulness of the mortgaged property in the present business of the Borrower, the Parent or any Subsidiary of the Parent;

(xiii) leases of the Properties and other assets of the Borrower, the Parent or a Subsidiary of the Parent, in each case entered into in the ordinary course of business and that do not, individually or in the aggregate, (A) interfere in any material respect with the ordinary course of business or (B) materially impair the value of the property subject thereto;

(xiv) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Borrower, the Parent or a Subsidiary of the Parent in the ordinary course of business in accordance with the past practices of the Borrower, the Parent or such Subsidiary of the Parent;

(xv) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to cash and cash equivalents on deposit in one or more accounts maintained by the Borrower, the Parent or any Subsidiary of the Parent, in each case granted in the ordinary course of business in favor of the financial institution or institutions with which such accounts are maintained, securing amounts owing to such financial institution(s) with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; provided that, unless such Liens are non-consensual and arise by operation of law, in no case shall any such Liens secure (either directly or indirectly) the repayment of any Debt;

(xvi) Liens for taxes, assessments or governmental charges or levies not yet delinquent and which may subsequently be paid without interest or penalties and Liens for taxes, assessments or governmental charges or levies which are being contested in good faith by appropriate proceedings for which reserves have been established to the extent required by GAAP;

(xvii) purchase money Liens upon or in any fixed or capital assets, or other property created, acquired or constructed for use in connection therewith or related thereto, to secure the purchase price or the cost of construction or improvement of such fixed or capital assets or such other property or to secure Debt incurred solely for the purpose of financing the acquisition, construction or improvement of such fixed or capital assets or such other property (including Liens securing any Capitalized Leases) or Liens on any such assets or property existing at the time of acquisition thereof; provided, that (i) such Lien attaches to such asset or property prior to, concurrently or within 180 days (or within one year thereafter pursuant to a binding commitment for financing entered into with a lender or investor within such 180-day period) after the acquisition, improvement or completion of the construction thereof; (ii) such Lien does not extend to any other asset theretofore owned by the Borrower, the Parent or any Subsidiary of the Parent except (w) unimproved real property on which the property so constructed or the improvement is located, (x) other property (or improvement thereon) which is an improvement to or is acquired or constructed for use in connection therewith or related thereto, (y) any right and interest under any agreement or other document relating to the property being so constructed or improved or such other property and (z) the stock of any Subsidiary of the Parent created or maintained for the primary purpose of owning the property so constructed or improved; and (iii) the Debt secured thereby does not exceed the cost of acquiring, constructing or improving such fixed or capital assets or such other property;

(xviii) Liens not permitted by the foregoing subsections (i) through (xvii) securing Debt or other obligations in the aggregate principal amount not to exceed 15% of Consolidated Tangible Total Assets;

(xix) Liens created for the sole purpose of refinancing, extending, renewing or replacing in whole or in part Debt or other obligations secured by any Lien, mortgage or security interest referred to in the foregoing subsections (i) through (xviii); provided that the principal amount of Debt or obligations secured thereby shall not exceed the principal amount of Debt or obligations so secured at the time of such refinancing, extension, renewal or replacement and the Lien securing such refinancing, extension, renewal or replacement, as the case may be, shall be limited to all or a part of the Property or assets that secured the Debt or other obligations so extended, renewed or replaced (and any improvements on such Property or assets); and

(xx) (i) Liens created pursuant to the Loan Documents (other than the Support Agreement) and (ii) Liens granted in favor of the Administrative Agent, the Swingline Banks and/or the LC Issuing Banks to Cash Collateralize any LC Issuing Bank's or Swingline Bank's Fronting Exposure.

"***Person***" means an individual, a corporation, a partnership (including a joint venture), an unincorporated association, a limited liability company, a trust or any other entity or organization, including, but not limited to, a government or political subdivision or an agency or instrumentality thereof.

"***Plan***" means at any time an employee pension benefit plan (other than a Multiemployer Plan) that is subject to the provisions of Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is maintained by a member of the Controlled Group for employees of a member of the Controlled Group.

"***Platform***" has the meaning set forth in Section 5.01.

"***Prime Rate***" means, at any time, the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate. Each change in the Prime Rate shall be effective as of the opening of business on the day specified in the public announcement of such change. The parties hereto acknowledge that the rate announced publicly by the Administrative Agent as its prime rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks.

"***Pro Rata Percentage***" or "***Pro Rata Share***" means for each Lender, a fraction (expressed as a decimal) the numerator of which is the Commitment of such Lender at such time and the denominator of which is the aggregate Commitment of the Lenders at such time. The initial Pro Rata Percentages are set out on Schedule I. Notwithstanding the foregoing, if the Termination Date has occurred, the "Pro Rata Percentage" or "Pro Rata Share" shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"***Properties***" means, with respect to, any Person, all real property owned, leased or otherwise used or occupied by such Person wherever located.

"***Proposed Change***" has the meaning set forth in Section 7.04(b).

"***PTE***" means a statutory prohibited transaction exemption, or a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"***Public Lender***" has the meaning set forth in Section 5.01.

"***QFC***" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

"***QFC Credit Support***" shall have the meaning assigned to such term in Section 7.18.

"***RCRA***" means the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq., as amended from time to time, and any regulations promulgated thereunder.

"***Recipient***" means (a) the Administrative Agent, (b) any Lender, (c) any Swingline Bank and (d) any LC Issuing Bank, as applicable.

"***Register***" has the meaning set forth in Section 7.05(c).

"***Reimbursement Obligation***" means the obligation of the Borrower to reimburse an LC Issuing Bank pursuant to Section 2.04(d) for amounts drawn under Letters of Credit issued by such LC Issuing Bank.

"***Related Parties***" means, with respect to any Person, such Person's Affiliates and the directors, officers, employees, agents, and advisors of such Person and of such Person's Affiliates.

"***Relevant Governmental Body***" means the FRB or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the FRB or the Federal Reserve Bank of New York, or any successor thereto.

"***Request for Issuance***" means a request made pursuant to Section 2.04 in the form of Exhibit B.

"***Required Lenders***" means, at any time, Lenders holding in the aggregate more than 50% of the Outstanding Credits and unutilized Commitments at such time; provided that the Outstanding Credits of any Defaulting Lender shall be disregarded in determining Required Lenders at any time, provided, further that the amount of any participation in any Swingline Loan or Letter of Credit that such Defaulting Lender has failed to fund that has not been reallocated to and funded by another Lender, to the extent such Lender shall have been required to fund its participation in the outstanding Swingline Loan of Letter of Credit and failed to do so, shall be deemed to be held by the Lender that is the applicable Swingline Bank or LC Issuing Bank, as the case may be, in making such determination.

"***Resignation Effective Date***" has the meaning set forth in Section 8.08(a).

"***Resolution Authority***" means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

"***Responsible Officer***" means the chief executive officer, chief operating officer, president or any other Financial Officer of the Parent or the Borrower, and any other officer of the Parent or the Borrower with responsibility for the administration of the obligations of the Parent or the Borrower under this Agreement.

"***S&P***" means S&P Global Ratings, a subsidiary of S&P Global, Inc., or any successor thereto.

"***S&P Rating***" means, with respect to any Person, on any date of determination, the debt rating most recently announced by S&P with respect to the senior unsecured, non-credit enhanced debt issued by such Person.

"***Sale and Leaseback Transaction***" means, with respect to the Borrower, the Parent or any Subsidiary of the Parent, any arrangement (including any series of related arrangements), whereby it shall sell or transfer any Property (real or personal) to any other Person (other than the Borrower, the Parent or any Subsidiary of the Parent), and thereafter rent or lease such Property or portion thereof that it intends to use for substantially the same purpose or purposes as the Property sold or transferred.

"***Sanctioned Country***" means at any time, a country, region or territory which is itself the subject or target of any Sanctions.

"***Sanctioned Person***" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC (including OFAC's Specially Designated Nationals and Blocked Persons List and OFAC's Consolidated Non-SDN List), the U.S. Department of State, the United Nations Security Council, the European Union, any European member state, His Majesty's Treasury, or other relevant sanctions authority, (b) any Person operating, organized or resident in a Sanctioned Country, (c) any Person owned or controlled by, or acting for, any such Person or Persons described in clauses (a) and (b), including a Person that is deemed by OFAC to be a Sanctions target based on the ownership of such legal entity by Sanctioned Person(s) or (d) any Person otherwise a target of Sanctions, including vessels and aircraft, that are designated under any such Sanctions program.

"***Sanctions***" means any economic or financial sanctions, sectoral sanctions, secondary sanctions, trade embargoes and restrictions and anti-terrorism laws, including but not limited to those imposed, administered or enforced from time to time by the U.S. government (including those administered by OFAC or the U.S. Department of State), the United Nations Security Council, the European Union, any European member state, His Majesty's Treasury, or other relevant sanctions authority in any jurisdiction in which (a) the Borrower or any of its Subsidiaries or Affiliates is located or conducts business, (b) in which any of the proceeds of the Extensions of Credit will be used, or (c) from which repayment of the Extensions of Credit will be derived.

"***SEC***" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"***Significant Subsidiary***" means the Borrower and with respect to any other Person, a Subsidiary of such Person that is a "significant subsidiary" (within the meaning of Regulation S-X of the SEC). Each Significant Subsidiary of the Parent is set forth on Schedule II (as such Schedule may be updated pursuant to and in accordance with Section 5.01(c)(v)).

"***SOFR***" means a rate equal to the secured overnight financing rate as administered by the SOFR Administrator.

"***SOFR Administrator***" means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

"***SOFR Loan***" means a loan that bears interest based upon Adjusted Term SOFR as provided in Section 2.08(a)(ii).

"***Subsidiary***" means, with respect to any Person, any corporation or unincorporated entity of which more than 50% of the outstanding capital stock (or comparable interest) having ordinary voting power (irrespective of whether at the time capital stock (or comparable interest) of any other class or classes of such corporation or entity shall or might have voting power upon the occurrence of any contingency) is at any time directly or indirectly owned by said Person (whether directly or through one or more of the other Subsidiaries). In the case of an unincorporated entity, a Person shall be deemed to have more than 50% of interests having ordinary voting power only if such Person's vote in respect of such interests comprises more than 50% of the total voting power of all such interests in the unincorporated entity.

"***Support Agreement***" means that certain Support Agreement, dated June 22, 2000, between the Parent and the Borrower, as amended by that certain First Amendment to Support Agreement dated as of July 26, 2000.

"***Swingline Bank***" means as to any Swingline Loan, (a) each Lender listed on Schedule 2.03 and (b) any other Lender appointed by the Borrower and approved by the Administrative Agent (such approval not to be unreasonably withheld or delayed) that agrees pursuant to Section 2.03 to act as a Swingline Bank hereunder.

"***Swingline Borrowing***" means a borrowing hereunder consisting of Swingline Loans made to the Borrower.

"***Swingline Commitment***" means the commitment of each Swingline Bank to make Swingline Loans, in the case of (a) a Swingline Bank described in clause (a) of the definition of such term, in the amount of the unutilized Commitment of each such Swingline Bank as a Lender, and (b) any other Swingline Bank, in the amount set forth in the agreement executed by the Borrower, such relevant Swingline Bank and acknowledged (to evidence its consent as to the identity of such Swingline Bank) by the Administrative Agent, in each case, subject to adjustment on account of a reduction in the Swingline Commitments pursuant to Section 2.10. The Swingline Commitment of each Swingline Bank shall be a part of and not in addition to such Swingline Bank's Commitment as a Lender.

"***Swingline Loan***" means a loan that bears interest as provided in Section 2.08(a)(iii).

"***Synthetic Lease***" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an Operating Lease in accordance with GAAP.

"***Taxes***" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"***Termination Date***" means the earliest to occur of (a) with respect to any Lender, October 26, 2027, unless, with respect to such Lender, such date is otherwise extended pursuant to Section 2.06, (b) the date of termination of the aggregate Commitments by the Borrower pursuant to Section 2.10, or (c) the date of termination of the aggregate Commitments pursuant to Section 6.01.

"***Term SOFR***" means,

(a) for any calculation with respect to a SOFR Loan, the Term SOFR Reference Rate for a tenor comparable to the applicable Interest Period on the day (such day, the "***Periodic Term SOFR Determination Day***") that is two (2) U.S. Government Securities Business Days prior to the first day of such Interest Period, as such rate is published by the Term SOFR Administrator; provided, however, that if as of 5:00 p.m. on any Periodic Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Periodic Term SOFR Determination Day, and

(b) for any calculation with respect to a Base Rate Loan or a Swingline Loan on any day, the Term SOFR Reference Rate for a tenor of one month on the day (such day, the "***Base Rate Term SOFR Determination Day***") that is two (2) U.S. Government Securities Business Days prior to such day, as such rate is published by the Term SOFR Administrator; provided, however, that if as of 5:00 p.m. on any Base Rate Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Base Rate Term SOFR Determination Day.

"***Term SOFR Adjustment***" means a percentage equal to 0.10% per annum.

"***Term SOFR Administrator***" means CME Group Benchmark Administration Limited (CBA) (or a successor administrator of the Term SOFR Reference Rate selected by the Administrative Agent in its reasonable discretion).

"***Term SOFR Reference Rate***" means the forward-looking term rate based on SOFR.

"***Type***" with respect to a Loan (other than a Swingline Loan), means any of the following, each of which shall be deemed to be a different "***Type***" of Loan: a Base Rate Loan and each SOFR Loan having the same Interest Period.

"***UK Financial Institution***" means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

"***UK Resolution Authority***" means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

"***Unadjusted Benchmark Replacement***" means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

"***U.S. Government Securities Business Day***" means any day except for (a) a Saturday, (b) a Sunday or (c) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities; provided, that for purposes of notice requirements in Sections 2.02, 2.12, and 2.19, in each case, such day is also a Business Day.

"***U.S. Person***" means any Person that is a "United States person" as defined in Section 7701(a)(30) of the Code.

"***U.S. Tax Compliance Certificate***" has the meaning assigned to such term in Section 2.17(g).

"***Wells Fargo***" means Wells Fargo Bank, National Association, a national banking association, and its successors.

"***Withdrawal Liability***" means a liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as described in Part I of Subtitle E of Title IV of ERISA.

"***Withholding Agent***" means the Borrower and the Administrative Agent.

"***Write-Down and Conversion Powers***" means (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

Section 1.02 Accounting Terms and Determinations. Unless otherwise specified herein, all terms of an accounting character used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision (including any definition) hereof to eliminate the effect

of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accounts (or successors thereto or agencies with similar functions), and such change affects the calculation of any component of any financial covenant, standard or term found in this Agreement (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith, and the Borrower and the Lenders agree to enter into negotiations in order to amend such provisions (with the agreement of the Required Lenders or, if required by Section 7.04, all of the Lenders) so as to equitably reflect such changes with the desired result that the criteria for evaluating any of the Parent and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made; provided, further that (a) all obligations of any Person that are or would have been treated as operating leases for purposes of GAAP prior to the effectiveness of FASB ASC 842 shall continue to be accounted for as operating leases for purposes of all financial definitions and calculations for purpose of this Agreement (whether or not such operating lease obligations were in effect on such date) notwithstanding the fact that such obligations are required in accordance with FASB ASC 842 (on a prospective or retroactive basis or otherwise) to be treated as a Capitalized Lease in the financial statements and (b) all financial statements delivered to the Administrative Agent hereunder shall contain a schedule showing the modifications necessary to reconcile the adjustments made pursuant to clause (a) above with such financial statements. Notwithstanding the foregoing, the determination of compliance with any covenant contained herein (including the computation of any amounts and ratios) shall be made without giving effect to any election under FASB ASC Topic 825 and FASB ASC 470-20 (or any other Financial Accounting Standard having a similar result or effect) to value any Debt or other liabilities of the Borrower, the Parent or any of its Subsidiaries at "fair value", as defined therein, and Debt shall be measured at the outstanding principal amount thereof.

Section 1.03 Use of Defined Terms. All terms defined in this Agreement shall have the same meanings when used in any of the other Loan Documents (other than the Support Agreement), unless otherwise defined therein or unless the context shall otherwise require.

Section 1.04 Other Definitions and Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document: (a) the definitions of terms herein shall apply equally to the singular and plural forms of the terms defined, (b) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms, (c) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (d) the word "will" shall be construed to have the same meaning and effect as the word "shall", (e) any reference herein to any Person shall be construed to include such Person's successors and assigns, (f) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (g) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (h) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, and (i) in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including".

Section 1.05 References to Agreement and Laws. Unless otherwise expressly provided herein, (a) references to formation documents, governing documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments,

restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any applicable law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such applicable law.

Section 1.06 Letter of Credit Amounts. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit after giving effect to all increases thereof contemplated by such Letter of Credit (at the time specified therefor in such applicable Letter of Credit and as such amount may be reduced by (a) any permanent reduction of such Letter of Credit or (b) any amount which is drawn, reimbursed and no longer available under such Letter of Credit).

Section 1.07 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

Section 1.08 Rates. The Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, (a) the continuation of, administration of, submission of, calculation of or any other matter related to the Term SOFR Reference Rate, Adjusted Term SOFR or Term SOFR, or any component definition thereof or rates referred to in the definition thereof, or with respect to any alternative, successor or replacement rate thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement), as it may or may not be adjusted pursuant to Section 2.18(c), will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, the Term SOFR Reference Rate, Adjusted Term SOFR, Term SOFR or any other Benchmark prior to its discontinuance or unavailability, or (b) the effect, implementation or composition of any Conforming Changes. The Administrative Agent and its Affiliates or other related entities may engage in transactions that affect the calculation of the Term SOFR Reference Rate, Adjusted Term SOFR, Term SOFR, any alternative, successor or replacement rate (including any Benchmark Replacement) or any relevant adjustments thereto and such transactions may be adverse to the Borrower. The Administrative Agent may select information sources or services in its reasonable discretion to ascertain the Term SOFR Reference Rate, Adjusted Term SOFR or Term SOFR, or any other Benchmark, any component definition thereof or rates referred to in the definition thereof, in each case pursuant to the terms of this Agreement, and shall have no liability to the Borrower, any Lender or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

Section 1.09 Divisions. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction's laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its equity interests at such time.

ARTICLE II
EXTENSIONS OF CREDIT

Section 2.01 Commitment to Extend Credit.

(a) Each Lender severally agrees, on the terms and conditions set forth herein, to make its Pro Rata Share of Loans (other than Swingline Loans) in Dollars to the Borrower from time to time before the Termination Date; provided that, immediately after each such Loan is made, (i) with respect to each Lender individually, the Outstanding Credits of such Lender shall not exceed such Lender's Commitment, and (ii) with respect to the Lenders collectively, the aggregate Outstanding Credits shall not exceed the Lenders' aggregate Commitment.

(b) Each Swingline Bank severally agrees, on the terms and conditions set forth herein, to make Swingline Loans in Dollars to the Borrower from time to time before the Termination Date; provided that, immediately after each such Swingline Loan is made: (i) the outstanding aggregate principal amount of the Swingline Loans made by such Swingline Bank shall not exceed such Swingline Bank's Swingline Commitment, (ii) the outstanding aggregate principal amount of the Swingline Loans shall not exceed $200,000,000, (iii) the outstanding aggregate principal amount of the Swingline Loans made by such Swingline Bank, together with the Outstanding Credits (other than Swingline Loans) of the applicable Lender acting as a Swingline Bank shall not exceed such Lender's Commitment, (iv) with respect to each Lender individually, the Outstanding Credits of such Lender shall not exceed such Lender's Commitment, and (v) with respect to the Lenders collectively, the aggregate Outstanding Credits shall not exceed the Lenders' aggregate Commitment.

(c) Within the foregoing limits, the Borrower may borrow under this Section, repay or, to the extent permitted by Section 2.12, prepay Loans and reborrow under this Section at any time before the Termination Date.

Section 2.02 Method of Borrowing.

(a) Each Borrowing shall be made on a Business Day, upon notice from the Borrower to the Administrative Agent, given (i) in the case of a Borrowing that is a Base Rate Loan, not later than 1:00 P.M. on the date of the proposed Borrowing and (ii) in the case of a Borrowing that is a SOFR Loan, not later than 11:00 A.M. on the third U.S. Government Securities Business Day prior to the date of the proposed Borrowing. Each such notice of a Borrowing (a "***Notice of Borrowing***") by the Borrower shall be in substantially the form of Exhibit A, specifying therein the requested (A) date of such Borrowing, (B) Type of Loan to be made in connection with such Borrowing, (C) aggregate amount of such Borrowing and (D) in the case of a Borrowing comprising SOFR Loans, initial Interest Period for each such Loan. The Administrative Agent shall give notice to each Lender promptly upon receipt of each Notice of Borrowing pursuant to this Section 2.02(a), the contents thereof and each such Lender's Pro Rata Share of any Borrowing to be made pursuant thereto. Each Lender shall, before 1:00 P.M. on the date of such Borrowing (or 3:00 P.M. on the date of such Borrowing with respect to Base Rate Loans), make available to the Administrative Agent for the account of the Borrower in same day funds, the proceeds of such Borrowing. Such Borrowing will then be made available to the Borrower by the Administrative Agent by crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent (or at such other location as may be agreed by the Borrower and the Administrative Agent).

(b) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to comprise SOFR Loans, the Borrower shall indemnify the applicable Lender against any loss, cost or expense incurred by such Lender as a result of any failure of the Borrower to fulfill on or before the date specified in such Notice of Borrowing for such Loans, the applicable conditions set forth in Article III, including any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or redeployment of deposits or other funds acquired by such Lender as part of such Borrowing when such Loan is not made on such date.

(c) Each Borrowing (whether for a Base Rate Loan or a SOFR Loan) shall be in an aggregate principal amount of $5,000,000 or any multiple of $1,000,000 in excess thereof (except that any such Borrowing may be in the aggregate amount of the unutilized Commitment on such date).

Section 2.03 Method of Swingline Borrowing.

(a) Each Swingline Borrowing shall be made on a Business Day, upon notice from the Borrower to the Administrative Agent and a Swingline Bank, given not later than 1:00 P.M. on the date of the proposed Swingline Borrowing. Each such notice of a Swingline Borrowing (a "***Notice of Swingline Borrowing***") by the Borrower shall be in substantially the form of Exhibit A, specifying therein (i) the requested date of such Swingline Borrowing, (ii) the requested aggregate amount of such Swingline Borrowing and (iii) whether the interest rate for such Swingline Borrowing is to be based on the Base Rate or Adjusted Term SOFR Market Index Rate. The applicable Swingline Bank shall, before 3:00 P.M. on the date of such Swingline Borrowing, make available to the Administrative Agent for the account of the Borrower in same day funds, the proceeds of such Swingline Borrowing. Such Swingline Borrowing will then be made available to the Borrower by the Administrative Agent by crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by such Swingline Bank and in like funds as received by the Administrative Agent. For purposes of determining the amount of Outstanding Credits of any Lender and the amount of unutilized Commitments, each Swingline Borrowing made by a Swingline Bank will be deemed to comprise outstanding Loans of the Lenders made in accordance with their Pro Rata Percentages. In addition to the Swingline Banks listed on Schedule 2.03, the Borrower may from time to time appoint one or more other Lenders (with the consent of such Lender (which consent may be withheld in the sole discretion of such Lender) and the Administrative Agent (such consent not to be unreasonably withheld or delayed)) to act as a Swingline Bank hereunder. Any such appointment and the terms thereof (including the Swingline Commitment of such Swingline Bank) shall be evidenced by a separate written agreement executed by the Borrower and such Swingline Bank and acknowledged (to evidence its consent as to the identity of such Swingline Bank) by the Administrative Agent. The Administrative Agent shall give prompt notice of any such appointment to the Lenders. Upon such appointment, if and for so long as such Lender shall have any obligation to make Swingline Loans hereunder or any Swingline Loan shall remain outstanding, such Lender shall be deemed to be, and shall have all the rights and obligations of, a "Swingline Bank" under this Agreement.

(b) Each Swingline Borrowing shall be in the aggregate principal amount of $1,000,000 or any multiple of $500,000 in excess thereof, or such lesser amount as shall be equal to the aggregate amount of the unutilized Commitment on such date.

(c) Notwithstanding anything in this Section 2.03 above to the contrary:

(i) the aggregate amount of the Swingline Loans outstanding at any time shall not exceed $200,000,000;

(ii) the aggregate amount of the Swingline Loans of a Swingline Bank outstanding at any time shall not exceed the Swingline Commitment of such Swingline Bank;

(iii) no more than one Swingline Loan may be made on the same Business Day; and

(iv) each Swingline Loan shall be paid in full by the Borrower on the earlier to occur of (x) the fourteenth (14th) Business Day after the date the Swingline Loan is made and (y) the Termination Date; provided, that such payment shall not be made from the proceeds of any other Swingline Loans.

(d) Any Swingline Bank that has made a Swingline Loan may, at any time and from time to time in its sole and absolute discretion, on behalf of the Borrower (which hereby irrevocably directs the applicable Swingline Bank to act on its behalf), by written notice given no later than 11:00 a.m. on any Business Day request each Lender to make, and each Lender hereby agrees to make, a Base Rate Loan in an amount equal to such Lender's Pro Rata Percentage of the aggregate amount of the Swingline Loan outstanding on the date of such notice, to repay the applicable Swingline Bank. Each Lender shall make the amount of such Base Rate Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's office not later than 1:00 p.m. on the day specified in such notice. The proceeds of such Base Rate Loan shall be immediately made available by the Administrative Agent to the applicable Swingline Bank for application by the Swingline Bank to the repayment of the Swingline Loan. No Lender's obligation to fund its respective Pro Rata Percentage of a Swingline Loan shall be affected by any other Lender's failure to fund its Pro Rata Percentage of a Swingline Loan, nor shall any Lender's Pro Rata Percentage be increased as a result of any such failure of any other Lender to fund its Pro Rata Percentage of a Swingline Loan.

(e) On each date a Swingline Loan is made, each Lender shall be deemed to have purchased a risk participation in such Swingline Loan from the applicable Swingline Bank in an amount equal to such Lender's Pro Rata Percentage of such Swingline Loan. If for any reason any Swingline Loan cannot be refinanced with a Base Rate Loan pursuant to Section 2.03(d), upon request by a Swingline Bank with an outstanding Swingline Loan, and notwithstanding whether a Default or Event of Default shall have occurred and be continuing, each other Lender shall fund its risk participation in such Swingline Loan by making available to the Administrative Agent for the account of such Swingline Bank, by deposit to the Administrative Agent's account, in same day funds, an amount equal to its risk participation therein. If and to the extent that any Lender shall not have so made the amount of its risk participation in such Swingline Loan available to the Administrative Agent, such Lender agrees to pay to the Administrative Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by the applicable Swingline Bank until the date such amount is paid to the Administrative Agent, at the Federal Funds Rate; provided, that if payment is not made within three (3) Business Days of demand, interest thereon shall accrue at the Base Rate plus the Applicable Percentage for Swingline Loans for each day thereafter until paid. If such Lender shall pay to the Administrative Agent such amount for the account of the applicable Swingline Bank, such amount so paid in respect of principal shall constitute a Swingline Loan by such Lender for purposes of this Agreement, and the outstanding principal amount of the Swingline Loan made by such Swingline Bank shall be reduced by such amount.

(f) Any Swingline Bank may and, if such Swingline Bank is a Lender being replaced pursuant to Section 2.23(b), such Swingline Bank shall, resign at any time by giving written notice thereof to the Administrative Agent, the Lenders and the Borrower, with any such resignation to become effective (i) if such Swingline Bank is the Administrative Agent and the Administrative Agent has given notice of its resignation or has been removed in accordance with Section 8.08, on the Resignation Effective Date or Removal Effective Date, as applicable, (ii) if such Swingline Bank is party to an Assignment and Acceptance whereby it intends to assign all of its Loans and Commitment to an Eligible Assignee pursuant to Section 2.23(b) or 7.05(b), on the effective date of such assignment or (iii) otherwise, on the later of (x) 30 days after delivery of such notice or (y) such date as agreed by such Swingline Bank; provided that if such resigning Swingline Bank is the only remaining Swingline Bank at the time of its resignation and there is no Administrative Agent, the Borrower shall have the right to appoint a successor Swingline Bank, which shall be a Lender or an Eligible Assignee reasonably acceptable to the Required Lenders. If no successor Swingline Bank shall have been so appointed by the Borrower, and shall have accepted such appointment, within 30 days after the retiring Swingline Bank's giving of notice of resignation, then the retiring Swingline Bank may, on behalf of the Borrower and the Lenders, appoint a successor Swingline Bank, which shall be a Lender or an Eligible Assignee acceptable to the Borrower. Upon the acceptance of any appointment as a Swingline Bank hereunder by a successor Swingline Bank, such successor Swingline Bank shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Swingline Bank.

(g) Each Lender's obligation to make a Base Rate Loan pursuant to Section 2.03(d) or to purchase and fund risk participations in Swingline Loans pursuant to Section 2.03(e) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the applicable Swingline Bank, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of an Event of Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Base Rate Loans pursuant to Section 2.03(d) is subject to the conditions set forth in Section 3.02. No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrower to repay Swingline Loans, together with interest as provided herein.

Section 2.04 Letters of Credit.

(a) In addition to the LC Issuing Banks listed on Schedule 2.04, the Borrower may from time to time appoint one or more other Lenders (with the consent of any such Lender (which consent may be withheld in the sole discretion of such Lender) and the Administrative Agent (such consent not to be unreasonably withheld or delayed)) to act as an LC Issuing Bank hereunder. Any such appointment and the terms thereof shall be evidenced in a separate written agreement executed by the Borrower and the relevant LC Issuing Bank and acknowledged (to evidence its consent as to the identity of such LC Issuing Bank) by the Administrative Agent. The Administrative Agent shall give prompt notice of any such appointment to the other Lenders. Upon such appointment, if and for so long as such Lender shall have any obligation to issue any Letters of Credit hereunder or any Letter of Credit issued by such Lender shall remain outstanding, such Lender shall be deemed to be, and shall have all the rights and obligations of, an "LC Issuing Bank" under this Agreement.

(b) Subject to the terms and conditions hereof, each Letter of Credit shall be issued (or the stated maturity thereof extended or terms thereof modified or amended) on not less than one (1) Business Day's prior notice thereof by delivery of (x) a Request for Issuance to the Administrative Agent (which shall promptly distribute copies thereof to the Lenders) and the relevant LC Issuing Bank, and (y) if requested by such LC Issuing Bank, a letter of credit application or other standard form required by the relevant LC Issuing Bank to such LC Issuing Bank. Each Letter of Credit shall be issued in a form acceptable to the relevant LC Issuing Bank. Each Request for Issuance shall specify (i) the identity of the relevant LC Issuing Bank, (ii) the date (which shall be a Business Day) of issuance of such Letter of Credit (or the date of effectiveness of such extension, modification or amendment) and the stated expiry date thereof (which shall not be later than the earlier of (A) one year after the date of issuance of such Letter of Credit and (B) unless cash collateralized (in accordance with the procedures set forth in Section 2.25) in an amount equal to 102% of the LC Outstandings for such Letter of Credit prior to five (5) Business Days prior to the stated Termination Date for the applicable LC Issuing Bank, the fifth Business Day preceding such Termination Date); provided that a Letter of Credit may, upon the request of the Borrower, include a provision whereby such Letter of Credit shall be renewed automatically for additional consecutive periods of one year or less (but not beyond the date specified in clause (B) above) unless the relevant LC Issuing Bank notifies the Borrower and the beneficiary thereof at least 30 days prior to the then-applicable expiration date that such Letter of Credit will not be renewed, (iii) the proposed stated amount of such Letter of Credit, (iv) the name and address of the beneficiary of such Letter of Credit and (v) a statement of drawing conditions applicable to such Letter of Credit, and if such Request for Issuance relates to an amendment or modification of a Letter of Credit, it shall be accompanied by the consent of the beneficiary of the Letter of Credit thereto. Each Request for Issuance shall be delivered by the Borrower no later than 11:00 A.M. on the Business Day immediately prior to the proposed date of issuance (or effectiveness) specified therein. Not later than 2:00 P.M. on the proposed date of issuance (or effectiveness) specified in such Request for Issuance, and upon fulfillment of the

applicable conditions precedent and the other requirements set forth herein, the relevant LC Issuing Bank shall issue (or extend, amend or modify) such Letter of Credit and provide notice and a copy thereof to the Administrative Agent, which shall promptly furnish copies thereof to the Lenders; provided that the relevant LC Issuing Bank shall not issue or amend any Letter of Credit if such LC Issuing Bank has received notice from the Administrative Agent that the applicable conditions precedent have not been satisfied.

(c) No Letter of Credit shall be requested or issued hereunder if, after the issuance thereof, (i) the Outstanding Credits would exceed the aggregate Commitments, (ii) with respect to each Lender individually, the Outstanding Credits of such Lender would exceed such Lender's Commitment, (iii) the LC Outstandings would exceed $150,000,000, or (iv) the LC Outstandings for all Letters of Credit issued by such LC Issuing Bank would exceed the LC Commitment of such LC Issuing Bank.

(d) By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount or extending the expiration date thereof), and without any further action on the part of the applicable LC Issuing Bank or the Lenders, such LC Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from such LC Issuing Bank, a participation in such Letter of Credit equal to such Lender's Pro Rata Percentage of the aggregate amount available to be drawn under such Letter of Credit. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute, unconditional and irrevocable and shall not be affected by any circumstance whatsoever, including any amendment, extension, reinstatement or renewal of any Letter of Credit or the occurrence and continuance of a Default or Event of Default or reduction or termination of the Commitments. Each Lender further acknowledges and agrees that its participation in each Letter of Credit will be automatically adjusted to reflect such Lender's Pro Rata Percentage of the aggregate amount available to be drawn under such Letter of Credit at each time such Lender's Commitment is amended pursuant to the operation of Section 2.05 or Section 2.06, or as a result of an assignment in accordance with Section 7.05 or otherwise pursuant to this Agreement.

(e) The Borrower hereby agrees to pay (through the proceeds of a Borrowing or otherwise) to the Administrative Agent for the account of each LC Issuing Bank and each participating Lender, if applicable, no later than (i) if the Borrower shall have received notice of such LC Issuing Bank's payment pursuant to any Letter of Credit issued by it (such payment, an "***LC Disbursement***") not later than 11:00 A.M. on the date of such payment, on such date, or (ii) if such notice has not been received by the Borrower prior to such time on such date, on the Business Day immediately following the day that the Borrower receives such notice (such date referred to in clause (i) or such Business Day referred to in clause (ii), the "***LC Reimbursement Due Date***"), a sum equal to the amount of the LC Disbursement plus interest on such amount from the date so paid by such LC Issuing Bank until repayment to such LC Issuing Bank in full at a fluctuating interest rate per annum equal to the interest rate applicable to Base Rate Loans plus, if any amount paid by such LC Issuing Bank under a Letter of Credit is not reimbursed by the Borrower on the LC Reimbursement Due Date, 2%, unless refinanced with a Loan.

(f) If any LC Issuing Bank shall not have been reimbursed in full for any LC Disbursement on the date payment is due from the Borrower pursuant to Section 2.04(e), such LC Issuing Bank shall give the Administrative Agent prompt notice thereof (an "***LC Payment Notice***") no later than 11:00 A.M. on the Business Day immediately succeeding such payment date (such date, the "***LC Notice Date***"). The Administrative Agent shall forward to each Lender no later than 1:00 P.M. on an LC Notice Date, the applicable LC Payment Notice. Each Lender severally agrees to fund its participation in the Reimbursement Obligation of the Borrower to such LC Issuing Bank by paying to the Administrative Agent for the account of such LC Issuing Bank an amount equal to such Lender's participation, plus interest, if applicable, on such amount at a rate per annum equal to the Federal Funds Rate from the LC Reimbursement Due Date to the date of payment to such LC Issuing Bank by such Lender. Each such

payment by a Lender shall be made not later than 3:00 P.M. on the applicable LC Notice Date. Each Lender's obligation to make each such payment to the Administrative Agent for the account of such LC Issuing Bank shall be several and shall not be affected by the occurrence or continuance of a Default or the failure of any other Lender to make any payment under this Section 2.04(f). Each Lender further agrees that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(g) The failure of any Lender to make any payment to the Administrative Agent for the account of any LC Issuing Bank in accordance with paragraph (f) above shall not relieve any other Lender of its obligation to make payment, but no Lender shall be responsible for the failure of any other Lender.

(h) The payment obligations of each Lender under Section 2.04(f) and of the Borrower under this Agreement in respect of any payment under any Letter of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any other agreement or instrument relating thereto or to such Letter of Credit;

(ii) any amendment or waiver of, or any consent to departure from, the terms of this Agreement or such Letter of Credit;

(iii) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary, or any transferee, of such Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), any LC Issuing Bank, or any other Person, whether in connection with this Agreement, the transactions contemplated hereby, thereby or by such Letter of Credit, or any unrelated transaction;

(iv) any statement or any other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment in good faith by any LC Issuing Bank under the Letter of Credit issued by such LC Issuing Bank against presentation of a draft or certificate that does not comply with the terms of such Letter of Credit;

(vi) the use that may be made of any Letter of Credit by, or any act or omission of, the beneficiary of any Letter of Credit (or any Person for which the beneficiary may be acting); or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

(i) Without limiting any other provision of this Section 2.04, for purposes of this Section 2.04, any LC Issuing Bank may rely upon any oral, telephonic, telegraphic, facsimile, electronic, written or other communication believed in good faith to have been authorized by the Borrower, whether or not given or signed by an authorized Person of the Borrower.

(j) The Borrower assumes all risks of the acts and omissions of any beneficiary or transferee of any Letter of Credit. Neither any LC Issuing Bank, the Lenders nor any of their respective Related Parties shall be liable or responsible for (i) the use that may be made of such Letter of Credit or any acts or omissions of any beneficiary or transferee thereof in connection therewith; (ii) the validity, sufficiency

or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by any LC Issuing Bank against presentation of documents that do not comply with the terms of such Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; or (iv) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit, except that the Borrower and each Lender shall have the right to bring suit against each LC Issuing Bank, and each LC Issuing Bank shall be liable to the Borrower and any Lender, to the extent of any direct, as opposed to consequential, damages suffered by the Borrower or such Lender that the Borrower or such Lender proves were caused by such LC Issuing Bank's willful misconduct or gross negligence as determined by a court of competent jurisdiction in a final and non-appealable judgment, including, in the case of the Borrower, such LC Issuing Bank's (x) failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof or (y) failure to make timely payment under such Letter of Credit following the presentation to it by the beneficiary thereof of a draft and accompanying certificate(s) that strictly comply with the terms and conditions of such Letter of Credit. In furtherance and not in limitation of the foregoing, each LC Issuing Bank may accept sight drafts and accompanying certificates presented under the Letter of Credit issued by such LC Issuing Bank that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and payment against such documents shall not constitute willful misconduct or gross negligence by such LC Issuing Bank. Notwithstanding the foregoing, no Lender (in its capacity as a Lender) shall be obligated to indemnify the Borrower for damages caused by any LC Issuing Bank's willful misconduct or gross negligence.

(k) Notwithstanding anything to the contrary set forth herein, on the Closing Date, the Existing Letters of Credit shall be deemed to be "Letters of Credit" issued hereunder, resulting in Extensions of Credit on such date hereunder.

(l) Any LC Issuing Bank may and, if such LC Issuing Bank is a Lender being replaced pursuant to Section 2.23(b), such LC Issuing Bank shall, resign at any time by giving written notice thereof to the Administrative Agent, the Lenders and the Borrower, with any such resignation to become effective (i) if such LC Issuing Bank is the Administrative Agent and the Administrative Agent has given notice of its resignation or has been removed in accordance with Section 8.08, on the Resignation Effective Date or Removal Effective Date, as applicable, (ii) if such LC Issuing Bank is party to an Assignment and Acceptance whereby it intends to assign all of its Loans and Commitment to an Eligible Assignee pursuant to Section 2.23(b) or 7.05(b), on the effective date of such assignment or (iii) otherwise, on the later of (x) 30 days after delivery of such notice and (y) such date as agreed by such LC Issuing Bank; provided that if such resigning LC Issuing Bank is the only LC Issuing Bank at the time of its resignation and there is no Administrative Agent, the Borrower shall have the right to appoint a successor LC Issuing Bank, which shall be a Lender or an Eligible Assignee reasonably acceptable to the Required Lenders. If no successor LC Issuing Bank shall have been so appointed by the Borrower, and shall have accepted such appointment, within 30 days after the retiring LC Issuing Bank's giving of notice of resignation, then the retiring LC Issuing Bank may, on behalf of the Borrower and Lenders, appoint a successor LC Issuing Bank, which shall be a Lender or an Eligible Assignee acceptable to the Borrower. Except as provided in the immediately succeeding sentence, upon the acceptance of any appointment as an LC Issuing Bank hereunder by a successor LC Issuing Bank, such successor LC Issuing Bank shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring LC Issuing Bank. Except as provided in Section 8.08(d) with respect to any LC Issuing Bank which is a resigning Administrative Agent, after the effective date of the resignation of an LC Issuing Bank hereunder, the retiring LC Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an LC Issuing Bank under this Agreement and the other Loan Documents with respect to Letters of Credit issued by it prior to such resignation, but shall no longer have an LC Commitment and shall not be required to issue additional Letters of Credit or to extend, renew or increase any existing Letter of Credit.

(m) No LC Issuing Bank shall be under any obligation to issue any Letter of Credit if the issuance of such Letter of Credit would violate such LC Issuing Bank's internal policies.

Section 2.05 Increase of the Commitments.

(a) After the Closing Date, the Borrower may on one or more occasions, by written notice to the Administrative Agent and executed by the Borrower and one or more financial institutions (any such financial institution referred to in this paragraph (a) being called a "***Designated Lender***"), which may include, in the Borrower's sole discretion, any Lender, cause new Commitments to be extended by the Designated Lenders (or cause the Commitments of the Designated Lenders to be increased, as the case may be); provided that (i) at no time shall the aggregate amount of all extensions of new Commitments and increases in existing Commitments effected pursuant to this paragraph (a) exceed $500,000,000, (ii) each such requested increase shall be in a minimum principal amount of $50,000,000, (iii) each Designated Lender shall (A) be subject to the approval of the Administrative Agent, each LC Issuing Bank and each Swingline Bank (which approval shall not be unreasonably withheld or delayed) and (B) if not an existing Lender, execute all such documentation as the Administrative Agent shall reasonably specify to evidence the Commitment or Commitments of such Designated Lender and/or its status as a Lender hereunder, (iv) immediately prior to and immediately after giving effect to such proposed increase, no Default or Event of Default shall have occurred and be continuing, and (v) the Borrower shall have delivered the documents and certificates required by clauses (1) – (3) below. Extensions of new Commitments and increases in existing Commitments pursuant to this paragraph (a) shall become effective on the date specified in the applicable notice delivered by the Borrower. The Borrower shall deliver (1) a certificate signed by a duly authorized officer of the Borrower to the Administrative Agent, dated as of the effective date of such additional Commitments, stating that all representations and warranties of the Borrower set forth in Article IV (other than the representations and warranties set forth in Sections 4.04 and 4.05(b)) (with all references in such Article to a Borrowing or Swingline Borrowing being deemed to be references to the increase of the Commitments) are true in all material respects as if made on and as of such effective date (other than with respect to any representation and warranty that expressly relates to an earlier date, in which case such representation and warranty shall be true in all material respects as of such earlier date, and except for any representation and warranty that is qualified by materiality or reference to Material Adverse Change, in which case such representation and warranty shall be true in all respects as of such earlier date), (2) evidence of appropriate corporate authorization on the part of the Borrower with respect to the increase in the Commitments and (3) if requested by a Designated Lender, such opinions of counsel for the Borrower with respect to the increase in the Commitments as the Administrative Agent may reasonably request. Any Lender or any other financial institution offered or approached to provide all or a portion of any increase in the Commitment pursuant to this paragraph (a) may elect or decline, in its sole discretion, to provide such Commitment.

(b) The Outstanding Credits will be reallocated on the effective date of such increase among the Lenders in accordance with their revised Pro Rata Shares (and, with respect to any outstanding Loans, the Lenders agree to make all payments and adjustments necessary to effect the reallocation and the Borrower shall pay any and all costs required pursuant to Section 2.13 in connection with such reallocation as if such reallocation were a repayment). Prepayments made under this paragraph (b) shall not be subject to the notice or minimum amount requirements of Section 2.12.

(c) Promptly following the effective date of any Commitment increase pursuant to this Section 2.05, the Administrative Agent shall distribute an amended Schedule I to this Agreement (which shall thereafter be incorporated into this Agreement) to reflect any changes in Lenders, the Commitments and each Lender's Pro Rata Percentage as of such effective date.

Section 2.06 Maturity of Loans; Extension and Termination of Commitment.

(a) Each outstanding Loan (other than Swingline Loans) shall mature, and the principal amount thereof shall be due and payable in full, and the Commitments and the Swingline Commitments shall terminate, on the Termination Date. Each Swingline Loan shall mature, and the principal amount thereof shall be due and payable in full, on the earlier to occur of (i) the fourteenth (14th) Business Day after the date the Swingline Loan is made and (ii) the Termination Date.

(b) The Borrower may request up to two one-year extensions of the Termination Date in effect on the date of any such request (the "***Current Termination Date***") (notice of the exercise of which shall be given by the Borrower to the Administrative Agent in writing at least 30 days prior to any anniversary of the Closing Date). Upon the delivery of such a written request by an authorized officer of the Borrower (an "***Extension Request***"), the Administrative Agent promptly shall deliver a copy of such Extension Request to each of the Lenders. Each Lender, acting in its sole discretion, shall by notice made in writing and delivered to the Administrative Agent on a Business Day not more than 30 days following the date of such Extension Request, advise the Administrative Agent whether such Lender agrees to such extension (each Lender agreeing to an Extension Request within such timeframe being referred to herein as an "***Extending Lender***", and each Lender declining to agree to an Extension Request within such timeframe being referred to herein as a "***Non-Extending Lender***"). Any Lender which has not provided written notice to the Administrative Agent indicating whether such Lender agrees to the requested Extension Request prior to the 30th day following the date of such Extension Request shall be deemed to be a Non-Extending Lender. The election of any Lender to agree to such extension shall not obligate any other Lender to agree.

(c) If Lenders constituting the Required Lenders shall not have agreed to the Extension Request on or prior to the 30th day following the date of such Extension Request, then the Current Termination Date shall not be so extended, the principal amount of all Loans and all other amounts payable under this Agreement shall be payable in full and the Commitment shall terminate on the Current Termination Date.

(d) If Lenders constituting the Required Lenders shall have agreed to the Extension Request on or prior to the 30th day following the date of such Extension Request (such date, the "***Extension Date***"), then the Termination Date applicable to Extending Lenders shall be extended to be the day that is one year after the Current Termination Date; provided, that the Termination Date shall in no event extend beyond the fifth anniversary of the Extension Date. In the event of such extension, (w) the Commitments of each Non-Extending Lender shall terminate on the Current Termination Date, (x) the principal amount of all Loans and other amounts payable to each Non-Extending Lender under this Agreement shall be payable in full on the Current Termination Date, (y) the Lenders' aggregate Commitment shall be reduced by the amount of the Commitment of each Non-Extending Lender unless such Non-Extending Lender is replaced pursuant to paragraph (e) below and (z) the outstanding Reimbursement Obligations will be reallocated on the Current Termination Date among the Extending Lenders in accordance with their revised Pro Rata Shares (and the Lenders agree to make all payments and adjustments necessary to effect the reallocation). Prepayments made under this paragraph (d) shall not be subject to the notice or minimum amount requirements of Section 2.12.

(e) In the event that the Termination Date is extended under paragraph (d) above, the Borrower shall have the right, on or before the Current Termination Date, at the Borrower's sole expense and effort, to require any Non-Extending Lender to assign to one or more Eligible Assignees all of its rights and obligations under this Agreement; provided, that such assignment shall be in accordance with, and subject to the requirements and restrictions contained in Section 7.05.

(f) Notwithstanding any of the foregoing provisions of this Section 2.06, no extension of the Termination Date shall become effective for any Lender unless, on the Extension Date, (i) the conditions set forth in Sections 3.02(b) and 3.02(c) (with all references in such Sections to a Borrowing or Swingline Borrowing being deemed to be references to the extension of the Termination Date) shall be satisfied, and the Administrative Agent shall have received a certificate to that effect, dated the Extension Date and executed on behalf of the Borrower by a Responsible Officer of the Borrower, and (ii) the Administrative Agent shall have received copies (certified to be true and complete by a Responsible Officer of the Borrower) of all governmental approvals (if any) required for each of the Borrower and the Parent in connection with such extension.

Section 2.07 Evidence of Loans.

(a) Each Lender shall maintain an account or accounts evidencing each Loan made by such Lender to the Borrower from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement. Each Lender will make reasonable efforts to maintain the accuracy of its account or accounts, and to update promptly its account or accounts from time to time, as necessary.

(b) The Administrative Agent shall maintain the Register pursuant to Section 7.05(c) and a subaccount for each Lender, in which Register and subaccounts (taken together) shall be recorded (i) the date, amount and Interest Period, if applicable, of each Loan, and whether such Loan is a Base Rate Loan, a SOFR Loan or a Swingline Loan, (ii) the amount of any principal or interest due and payable or to become due and payable to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from or for the account of the Borrower and each Lender's percentage share thereof. The Administrative Agent will make reasonable efforts to maintain the accuracy of the subaccounts referred to in the preceding sentence and to update promptly such subaccounts from time to time, as necessary.

(c) The entries made in the Register and subaccounts maintained pursuant to Section 2.07(b), and the account or accounts maintained by the Lenders pursuant to Section 2.07(a) to the extent permitted by applicable law shall be prima facie evidence of the existence and amounts of such obligations of the Borrower therein recorded and shall be conclusive absent manifest error. The failure of the Administrative Agent or any Lender to maintain any such Register, subaccount or account, as applicable, or any error therein, shall not in any manner affect the obligations of the Borrower to repay the Loans in accordance with the terms thereof. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

(d) Upon the request of any Lender, which request shall be made through the Administrative Agent to the Borrower, the Borrower shall deliver to such Lender a duly executed Note in the form of Exhibit D.

Section 2.08 Interest Rates.

(a) The Borrower shall pay interest on the unpaid principal amount of each Loan from and including the date of such Loan to but excluding the date such Loan shall be paid in full (provided, that if the principal amount of any Loan is borrowed and repaid on the same day, the Borrower shall pay interest on such principal amount at the applicable interest rate for such day), at the following rates per annum:

(i) if such Loan is a Base Rate Loan, a variable rate per annum equal at all times to the Base Rate in effect from time to time plus the Applicable Percentage, payable quarterly in arrears on each Payment Date while such Base Rate Loan is outstanding, on the date of each prepayment to the extent required by Section 2.11(a) or 2.12, as applicable, and on the date such Base Rate Loan shall be Converted or paid in full;

(ii) if such Loan is a SOFR Loan, a fixed rate per annum during each Interest Period for such SOFR Loan equal to Adjusted Term SOFR for such Interest Period plus the Applicable Percentage, payable on the last day of the Interest Period (and, in the case of any Interest Period of more than three months' duration, on each day that occurs during such Interest Period every three months after the first day of such Interest Period), on the date of each prepayment to the extent required by Section 2.11(a) or 2.12, as applicable, and on the date such SOFR Loan shall be Converted or paid in full (provided that Adjusted Term SOFR shall not be available until three (3) U.S. Government Securities Business Days after the Closing Date unless the Borrower has delivered to the Administrative Agent a letter in form and substance reasonably satisfactory to the Administrative Agent indemnifying the Lenders in the manner set forth in Section 2.13 of this Agreement; and

(iii) if such Loan is a Swingline Loan, at the election of the Borrower, a variable rate per annum equal to (A) the Adjusted Term SOFR Market Index Rate plus the Applicable Percentage for SOFR Loans or (B) the Base Rate in effect from time to time plus the Applicable Percentage for Base Rate Loans, in each case, payable quarterly in arrears on each Payment Date while such Swingline Loan is outstanding, on the date of each prepayment to the extent required by Section 2.11(b) or 2.12, as applicable, and on the date such Swingline Loan shall be paid in full.

(b) Subject to Section 7.02, (i) immediately upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), 6.01(g) or 6.01(h) (in the case of Section 6.01(g) and 6.01(h), with respect to the Borrower and the Parent only), or (ii) at the election of the Required Lenders, upon the occurrence and during the continuance of any other Event of Default, (A) the Borrower shall no longer have the option to request SOFR Loans, Swingline Loans, or Letters of Credit, (B) all outstanding SOFR Loans shall bear interest at a rate per annum of two percent (2%) in excess of the rate (including the Applicable Percentage) then applicable to SOFR Loans until the end of the applicable Interest Period and thereafter at a rate equal to two percent (2%) in excess of the rate (including the Applicable Percentage) then applicable to Base Rate Loans, (C) all outstanding Base Rate Loans and other Obligations shall bear interest at a rate per annum equal to two percent (2%) in excess of the rate (including the Applicable Percentage) then applicable to Base Rate Loans or such other Obligations and (D) all accrued and unpaid interest shall be due and payable on demand of the Administrative Agent. Interest shall continue to accrue on the Obligations after the filing by the Borrower (as to itself) or against the Borrower (as a debtor) of any petition seeking any relief in bankruptcy or under any act or law pertaining to insolvency or debtor relief, whether state, federal or foreign.

(c) Term SOFR Conforming Changes. In connection with the use or administration of Term SOFR, the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document. The Administrative Agent will promptly notify the Borrower and the Lenders of the effectiveness of any Conforming Changes in connection with the use or administration of Term SOFR.

Section 2.09 Fees.

(a) Except as set forth in Section 2.24, the Borrower shall pay the Administrative Agent, for the ratable benefit of the Lenders, a facility fee (the "***Facility Fee***") equal to the product of (i) the daily amount of the Commitments (regardless of usage), multiplied by (ii) a per annum percentage equal to the Applicable Percentage in effect from time to time. The Facility Fee shall accrue from and including the Closing Date to but excluding the Termination Date and shall be payable in arrears on each Payment Date. Subject to Section 2.24(a)(iii), the Administrative Agent shall, promptly following its receipt thereof, distribute to each Lender all Facility Fees received pursuant to this Section 2.09(a) in accordance with their respective Pro Rata Percentages.

(b) Except as set forth in Section 2.24, the Borrower shall pay to the Administrative Agent for the account of each Lender a fee (the "***LC Fee***") with respect to each Letter of Credit in the amount equal to the daily amount available to be drawn under such Letter of Credit multiplied by the Applicable Percentage with respect to SOFR Loans (determined on a per annum basis), payable in arrears on each Payment Date. Subject to Section 2.24(a)(iii), the Administrative Agent shall, promptly following its receipt thereof, distribute to each Lender all LC Fees received pursuant to this Section 2.09(b) in accordance with their respective Pro Rata Percentages.

(c) The Borrower shall pay to each LC Issuing Bank such normal and customary costs and expenses as are incurred or charged by such LC Issuing Bank in issuing, effecting payment under, amending or otherwise administering any letter of credit as may be separately agreed between the Borrower and such LC Issuing Bank.

(d) In addition to the fees provided for in paragraphs (a) through (c) above, the Borrower shall pay to the Administrative Agent, for the account of the Administrative Agent and the Joint Lead Arrangers, and to each LC Issuing Bank party thereto such other fees as are provided for in the Fee Letters.

Section 2.10 Termination or Reduction of Commitment.

(a) The Borrower may, upon at least three (3) Business Days' notice to the Lenders, terminate at any time, or reduce from time to time, in each case without premium or penalty, by an aggregate amount of at least $5,000,000 (and integrals of $1,000,000 in excess thereof), the Commitment, the LC Commitment or the Swingline Commitment. If, after giving effect to any reduction of the Commitment, the aggregate LC Commitment, any LC Issuing Bank's LC Commitment, or any Swingline Commitment exceeds the amount of the Commitment, such aggregate LC Commitment, LC Issuing Bank's LC Commitment, or Swingline Commitment shall be automatically reduced by the amount of such excess.

(b) All accrued Facility Fees (as provided under Section 2.09) on the Commitment (in the case of a termination of the Commitment) or on the portion of the Commitment being reduced (in the case of a reduction of the Commitment) under this Section 2.10 shall be payable on the effective date of such reduction or termination.

(c) The Borrower hereby agrees to repay the outstanding principal amount of (i) all Loans in full on the Termination Date, (ii) all Swingline Loans in accordance with Section 2.03(c)(iv) (but, in any event, no later than the Termination Date) and (iii) all other Obligations in full on the Termination Date, together with, in each case, without duplication, all accrued but unpaid interest thereon in accordance with this Agreement.

Section 2.11 Mandatory Prepayments.

(a) On each date on which the Commitment is reduced pursuant to Section 2.10, the Borrower shall repay or prepay such principal amount of the outstanding Loans, if any (together with accrued interest thereon to the date of prepayment and any compensation payable pursuant to Section 2.13), and/or deposit funds in the Cash Collateral Account (in accordance with the procedures set forth in Section 2.25) in respect of undrawn Letters of Credit outstanding on such date, as may be necessary so that after such payment and/or deposit, the Outstanding Credits do not exceed the amount of the Commitment as then reduced.

(b) On each date on which any Swingline Commitment is reduced pursuant to Section 2.10, the Borrower shall repay or prepay such principal amount of the outstanding Swingline Loans, if any (together with accrued interest thereon to the date of prepayment), as may be necessary so that after such payment the aggregate unpaid principal amount of Swingline Loans does not exceed the amount of any Swingline Bank's Swingline Commitment as then reduced.

(c) On each date on which the LC Commitments are reduced pursuant to Section 2.10, the Borrower shall provide Cash Collateral (in accordance with the procedures set forth in Section 2.25) for each LC Issuing Bank in an amount equal to the amount by which the LC Outstandings for all Letters of Credit issued by such LC Issuing Bank exceeds the LC Commitment of such LC Issuing Bank as then reduced, if any.

Section 2.12 Optional Prepayments. The Borrower may, upon notice delivered to the Administrative Agent not later than 11:00 A.M. (a) on the date of prepayment in the case of any Base Rate Loan or Swingline Loan, and (b) at least three (3) U.S. Government Securities Business Days prior to such date in the case of any SOFR Loan, prepay any such Loan, without premium or penalty, in whole at any time, or from time to time in part in amounts aggregating at least $5,000,000 (and integrals of $1,000,000 in excess thereof) by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment and any compensation payable pursuant to Section 2.13.

Section 2.13 Compensation after Prepayment or Conversion. The Borrower shall, upon the demand of any Lender, pay to such Lender any amounts which are required to compensate such Lender for any losses (excluding losses of anticipated profits), costs or expenses incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain any SOFR Loan, or from fees payable to terminate the deposits from which such funds were obtained, which may arise as a result of the optional or mandatory prepayment or Conversion of any SOFR Loan, on any date other than the last day of the applicable Interest Period, or the failure to prepay any Loan on the date of prepayment specified in any notice of prepayment, except if arising in connection with a Lender becoming a Defaulting Lender and the replacement of such Lender pursuant to Section 2.23(b) or the termination of the Commitment of such Lender pursuant to Section 2.24(d). The amount of such loss or expense shall be determined, in the applicable Lender's sole discretion, based upon the assumption that such Lender funded its Pro Rata Share of the SOFR Loans in the London interbank market and using any reasonable attribution or averaging methods which such Lender deems appropriate and practical. A certificate of such Lender setting forth in reasonable detail the basis for determining such amount or amounts necessary to compensate such Lender delivered by such Lender to the Administrative Agent no later than twelve (12) months after the event giving rise to the claim for compensation (except that, if the Change in Law giving rise to such claim is retroactive, then the twelve-month period referred to above shall be extended to include the period of retroactive effect thereof) shall be promptly forwarded to the Borrower through the Administrative Agent and shall be conclusively presumed to be correct save for manifest error. Unless otherwise provided herein, the amount specified in the written statement of any Lender shall (unless the subject of a good faith dispute by the Borrower) be payable within fifteen (15) days after demand and receipt by the Borrower of such written statement, unless such Lender shall have failed to timely give notice of such claim for compensation as provided herein, in which event the Borrower shall not have any obligation to pay such claim.

Section 2.14 General Provisions as to Payments.

(a) The Borrower shall make each payment of principal of, and interest on, the Loans, the LC Fee and the Facility Fees hereunder in Dollars not later than 1:00 P.M. on the date when due in federal or

other funds immediately available without setoff or counterclaim to the Administrative Agent for the account of each Lender at its Lending Office. Upon receipt by the Administrative Agent of each such payment, the Administrative Agent shall distribute to each Lender, at its Lending Office, its Pro Rata Share of such payment, including each Lender's Pro Rata Share of Swingline Loans purchased by such Lender in accordance with Section 2.03(d). If and to the extent that the Administrative Agent shall not have so distributed to any Lender, at its Lending Office, its Pro Rata Share of such payment, the Administrative Agent agrees to pay to such Lender forthwith on demand such amount together with interest thereon, for each day from the date of demand by such Lender until the date such amount is paid to such Lender, at the Federal Funds Rate.

(b) Subject to the qualifications set forth in the definition of "Interest Period", whenever any payment of principal of, or interest on, the Loans or of Facility Fees or the LC Fee payable hereunder shall be due on a day that is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

Section 2.15 Computation of Interest and Fees. All computations of interest for Base Rate Loans and Swingline Loans determined by reference to the Base Rate, in each case when the Base Rate is determined by the Prime Rate shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest provided hereunder shall be made on the basis of a 360-day year and actual days elapsed.

Section 2.16 Compensation, Additional Interest.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in SOFR), any Swingline Bank or any LC Issuing Bank;

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of "Excluded Taxes" and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender, any Swingline Bank or any LC Issuing Bank or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender, Swingline Bank or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender, Swingline Bank or such other Recipient of making, Converting to, Continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to increase the cost to such Lender, such Swingline Bank, such LC Issuing Bank or such other Recipient of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender, Swingline Bank, LC Issuing Bank or other Recipient hereunder with respect to such Loan or Letter of Credit (whether of principal, interest or any other amount) then, upon request of such Lender, Swingline Bank, LC Issuing Bank or other Recipient, the Borrower will pay to such Lender, Swingline Bank, LC Issuing Bank or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, Swingline Bank, LC Issuing Bank or other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender, Swingline Bank or LC Issuing Bank determines that any Change in Law affecting such Lender, Swingline Bank, or LC Issuing Bank or any lending office of such Lender, such Swingline Bank or such Lender's, Swingline Bank's or LC Issuing Bank's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's, Swingline Bank's or LC Issuing Bank's capital or on the capital of such Lender's, Swingline Bank's or LC Issuing Bank's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender, the Swingline Commitment of such Swingline Bank or the Loans made by, or participations in Letters of Credit or Swingline Loan held by, such Lender, or the Letters of Credit issued by any LC Issuing Bank, to a level below that which such Lender, Swingline Bank or LC Issuing Bank or such Lender's, Swingline Bank's or LC Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's, Swingline Bank's or LC Issuing Bank's policies and the policies of such Lender's, Swingline Bank's or LC Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender, Swingline Bank or LC Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender, Swingline Bank or LC Issuing Bank or such Lender's, Swingline Bank's or LC Issuing Bank's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender, Swingline Bank, LC Issuing Bank or other Recipient setting forth in reasonable detail the basis, method and calculations upon which such Lender, Swingline Bank, LC Issuing Bank or other Recipient determined the amount or amounts necessary to compensate such Lender, Swingline Bank, LC Issuing Bank, other Recipient or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to the Borrower, shall be conclusive absent manifest error. The Borrower shall pay such Lender, Swingline Bank or LC Issuing Bank, as the case may be, the amount shown as due on any such certificate within 15 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender, Swingline Bank, LC Issuing Bank or other Recipient to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's, Swingline Bank's, LC Issuing Bank's or other Recipient's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender, Swingline Bank, LC Issuing Bank or other Recipient pursuant to this Section for any increased costs incurred or reductions suffered more than four (4) months prior to the date that such Person notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of such Person's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the four-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Subject to the requirements of Section 7.05(e), the provisions of this Section 2.16 shall be applicable with respect to any Participant or Assignee, and any calculations required by such provisions shall be based upon the circumstances of such Participant or Assignee.

Section 2.17 Taxes.

(a) Defined Terms. For purposes of this Section 2.17, the term "Lender" includes any LC Issuing Bank and the term "applicable law" includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant

Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Borrower. The Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by the Borrower. The Borrower shall indemnify each Recipient, within 15 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate (together with a copy of the applicable documents from the Governmental Authority imposing such Indemnified Taxes) as to the amount of such payment or liability and setting forth in reasonable detail the basis for such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 7.05(e) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrower to a Governmental Authority pursuant to this Section 2.17, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) Status of Lenders. (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative

Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 2.17(g)(ii)(A), 2.17(g)(ii)(B) and 2.17(g)(ii)(D)) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing:

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed copies of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit F-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "***U.S. Tax Compliance Certificate***") and (y) executed copies of IRS Form W-8BEN-E; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-2 or Exhibit F-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the Closing Date.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.17 (including by the payment of additional amounts pursuant to this Section 2.17), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) Survival. Each party's obligations under this Section 2.17 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, Swingline Bank or LC Issuing Bank, the termination of the Commitments, Swingline Commitment and LC Commitments, and the repayment, satisfaction or discharge of all obligations under any Loan Document.

Section 2.18 Changed Circumstances.

(a) Circumstances Affecting Benchmark Availability. Subject to clause (c) below, in connection with any request for a SOFR Loan or a conversion to or continuation thereof or otherwise, if for any reason (i) the Administrative Agent shall determine (which determination shall be conclusive and binding absent manifest error) that reasonable and adequate means do not exist for ascertaining Adjusted Term SOFR for the applicable Interest Period with respect to a proposed SOFR Loan on or prior to the first day of such Interest Period or (ii) the Required Lenders shall determine (which determination shall be conclusive and binding absent manifest error) that Adjusted Term SOFR does not adequately and fairly reflect the cost to such Lenders of making or maintaining such Loans during such Interest Period and, in the case of clause (ii), the Required Lenders have provided notice of such determination to the Administrative Agent, then, in each case, the Administrative Agent shall promptly give notice thereof to the Borrower. Upon notice thereof by the Administrative Agent to the Borrower, any obligation of the Lenders to make SOFR Loans, and any right of the Borrower to convert any Loan to or continue any Loan as a SOFR Loan, shall be suspended (to the extent of the affected SOFR Loans or the affected Interest Periods) until the Administrative Agent (with respect to clause (ii), at the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, (A) the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of SOFR Loans (to the extent of the affected SOFR Loans or the affected Interest Periods) or, failing that, the Borrower will be deemed to have converted any such request into a request for a borrowing of or conversion to Base Rate Loans in the amount specified therein and (B) any outstanding affected SOFR Loans will be deemed to have been converted into Base Rate Loans at the end of the applicable Interest Period. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted, together with any additional amounts required pursuant to Section 2.13.

(b) Laws Affecting SOFR Availability. If, after the date hereof, the introduction of, or any change in, any applicable law or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any of the Lenders (or any of their respective Lending Offices) with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, shall make it unlawful or impossible for any of the Lenders (or any of their respective Lending Offices) to honor its obligations hereunder to make or maintain any SOFR Loan, or to determine or charge interest based upon SOFR, the Term SOFR Reference Rate, Adjusted Term SOFR or Term SOFR, such Lender shall promptly give notice thereof to the Administrative Agent and the Administrative Agent shall promptly give notice to the Borrower and the other Lenders (an "Illegality Notice"). Thereafter, until each affected Lender notifies the Administrative Agent and the Administrative Agent notifies the Borrower that the circumstances giving rise to such determination no longer exist, (i) any obligation of the Lenders to make SOFR Loans, and any right of the Borrower to convert any Loan to a SOFR Loan or continue any Loan as a SOFR Loan, shall be suspended and (ii) if necessary to avoid such illegality, the Administrative Agent shall compute the Base Rate without reference to clause (c) of the definition of "Base Rate". Upon receipt of an Illegality Notice, the Borrower shall, if necessary to avoid such illegality, upon demand from any Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all SOFR Loans to Base Rate Loans (in each case, if necessary to avoid such illegality, the Administrative Agent shall compute the Base Rate without reference to clause (c) of the definition of "Base Rate"), on the last day of the Interest Period therefor, if all affected Lenders may lawfully continue to maintain such SOFR Loans to such day, or immediately, if any Lender may not lawfully continue to maintain such SOFR Loans to such day. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted, together with any additional amounts required pursuant to Section 2.13.

(c) Benchmark Replacement Setting.

(i) Benchmark Replacement.

(A) Notwithstanding anything to the contrary herein or in any other Loan Document, upon the occurrence of a Benchmark Transition Event, the Administrative Agent and the Borrower may amend this Agreement to replace the then-current Benchmark with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. on the fifth (5th) Business Day after the Administrative Agent has posted such proposed amendment to all affected Lenders and the Borrower so long as the Administrative Agent has not received, by such time, written notice of objection to such amendment from Lenders comprising the Required Lenders. No replacement of a Benchmark with a Benchmark Replacement pursuant to this Section 2.18(c)(i)(A) will occur prior to the applicable Benchmark Transition Start Date.

(ii) Benchmark Replacement Conforming Changes. In connection with the use, administration, adoption or implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document.

(iii) Notices; Standards for Decisions and Determinations. The Administrative Agent will promptly notify the Borrower and the Lenders of (A) the implementation of any Benchmark Replacement and (B) the effectiveness of any Conforming Changes in connection with the use, administration, adoption or implementation of a Benchmark Replacement. The Administrative Agent will promptly notify the Borrower of the removal or reinstatement of any tenor of a Benchmark pursuant to Section 2.18(c)(i)(A). Any determination, decision or election that may be made by the Administrative Agent or, if applicable, any Lender (or group of Lenders) pursuant to this Section 2.18(c)(i)(A), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party to this Agreement or any other Loan Document, except, in each case, as expressly required pursuant to this Section 2.18(c)(i)(A).

(iv) Unavailability of Tenor of Benchmark. Notwithstanding anything to the contrary herein or in any other Loan Document, at any time (including in connection with the implementation of a Benchmark Replacement), (A) if the then-current Benchmark is a term rate (including the Term SOFR Reference Rate) and either (1) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion or (2) the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is not or will not be representative, then the Administrative Agent may modify the definition of "Interest Period" (or any similar or analogous definition) for any Benchmark settings at or after such time to remove such unavailable or non-representative tenor and (B) if a tenor that was removed pursuant to clause (A) above either (1) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (2) is not, or is no longer, subject to an announcement that it is not or will not be representative for a Benchmark (including a Benchmark Replacement), then the Administrative Agent may modify the definition of "Interest Period" (or any similar or analogous definition) for all Benchmark settings at or after such time to reinstate such previously removed tenor.

(v) Benchmark Unavailability Period. Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, (A) the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of SOFR Loans to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a borrowing of or conversion to Base Rate Loans and (B) any outstanding affected SOFR Loans will be deemed to have been converted to Base Rate Loans at the end of the applicable Interest Period. During any Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, the component of the Base Rate based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of the Base Rate.

Section 2.19 Conversion of Loans.

(a) The Borrower may on any Business Day, upon notice given to the Administrative Agent not later than 11:00 A.M. on the third U.S. Government Securities Business Day prior to the date of any proposed Conversion into or Continuation as SOFR Loans and on the Business Day of any proposed Conversion into Base Rate Loans subject to the provisions of Section 2.18, Convert all Loans of one Type into Loans of another Type or Types or Continue Loans of the same Type having the same or a new Interest Period; provided that no Loan shall be Converted to or Continued as a SOFR Loan if any Event of Default shall have occurred and be continuing. Each such notice of a Conversion or Continuation shall, within the restrictions specified above, specify (i) the date of such Conversion or Continuation, (ii) the Loans to be Converted or Continued and (iii) with respect to any Continuation, or if such Conversion is into, or with respect to SOFR Loans, the duration of the Interest Period for each such Loan.

(b) If the Borrower shall fail to select the Type of any Loan or the duration of any Interest Period for any SOFR Loan in accordance with the provisions contained in the definition of "Interest Period" and Section 2.19(a) or if any proposed Conversion of a Loan to a SOFR Loan upon Conversion shall not occur as a result of the circumstances described in Section 2.18 or 2.19(c), such Loan will automatically, on the last day of the then-existing Interest Period therefor, Convert into a Base Rate Loan.

(c) Each notice of Conversion or Continuation given pursuant to Section 2.19(a) shall be irrevocable and binding on the Borrower. In the case of any Loan that is to be Converted to a SOFR Loan, the Borrower shall indemnify the Lenders against any loss, cost or expense incurred by the Lenders as a result of any failure to fulfill on the date specified for such Conversion the applicable conditions set forth in Article III, including any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund such SOFR Loan, upon such Conversion, when such Conversion, as a result of such failure, does not occur. The Borrower's obligations under this paragraph (c) shall survive the repayment of all other amounts owing to the Lenders under this Agreement and the other Loan Documents and the termination of the Commitment.

(d) References in this Section 2.18(b) to "Loans" and "Types of Loans" shall not include the Swingline Loans.

Section 2.20 ***Setoff***. Each Lender, Swingline Bank and LC Issuing Bank may at any time upon or after the occurrence and during the continuance of an Event of Default, and without notice to the Borrower, set-off against the Obligations of the Borrower under this Agreement the whole or any portion or portions of any or all deposits and other sums credited by or due from such Lender, Swingline Bank or LC Issuing Bank to the Borrower or subject to withdrawal by the Borrower, whether or not any other Person or Persons could also withdraw money therefrom; provided that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.24 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the LC Issuing Banks, the Swingline Banks and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the obligations owing to such Defaulting Lender pursuant to this Agreement as to which it exercised such right of setoff. The rights of each Lender, Swingline Bank and LC Issuing Bank under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender or LC Issuing Bank may have in law or in equity. Each Lender, Swingline Bank and LC Issuing Bank agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

Section 2.21 ***Pro Rata Treatment***. Except to the extent otherwise provided herein:

(a) Each payment or prepayment of principal of any Loan, and each payment of interest on the Loans, shall be allocated first, to the payment or prepayment of principal of, or interest on, the Swingline Loans (x) initially, if such payment is to satisfy the requirements of Section 2.03(c)(iv), to the applicable Swingline Bank in accordance with Section 2.03(c)(iv) and (y) then, pro rata among the Swingline Banks in accordance with the respective principal amounts of their outstanding Swingline Loans; and second, pro rata among the Lenders in accordance with the respective principal amounts of their outstanding Loans. Each payment of the Facility Fee and the LC Fee, each reduction of the Commitments and each Conversion or extension of any Loan shall be allocated pro rata among the Lenders in accordance with their Pro Rata Percentages.

(b) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a Borrowing that such Lender will not make the amount that would constitute its Pro Rata Share of such Borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate reasonably determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to the Loans made in connection with such Borrowing. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(c) The obligations of the Lenders under this Agreement to make Loans and issue or participate in Letters of Credit are several and are not joint or joint and several. The failure of any Lender to make available its Pro Rata Share of any Loan requested by the Borrower shall not relieve it or any other Lender of its obligation, if any, hereunder to make its Pro Rata Share of such Loan available on the borrowing date, but no Lender shall be responsible for the failure of any other Lender to make its Pro Rata Share of such Loan available on the borrowing date.

Section 2.22 Sharing of Payments. The Lenders agree among themselves that, in the event that any Lender shall obtain payment in respect of any Loan or any other obligation owing to such Lender under this Agreement through the exercise of a right of set-off, banker's lien or counterclaim, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, in excess of its Pro Rata Share of such payment as provided for in this Agreement, such Lender shall promptly purchase from the other Lenders a Participation Interest in such Loans and other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all Lenders share such payment in accordance with their respective ratable shares as provided for in this Agreement. The Lenders further agree among themselves that if payment to a Lender obtained by such Lender through the exercise of a right of set-off, banker's lien, counterclaim or other event as aforesaid shall be rescinded or must otherwise be restored, each Lender which shall have shared the benefit of such payment shall, by repurchase of a Participation Interest theretofore sold, return its share of that benefit (together with its share of any accrued interest payable with respect thereto) to each Lender whose payment shall have been rescinded or otherwise restored. The Borrower agrees that any Lender so purchasing such a Participation Interest may, to the fullest extent permitted by law, exercise all rights of payment, including set-off, banker's lien or counterclaim, with respect to such Participation Interest as fully as if such Lender were a holder of such Loan or other obligation in the amount of such Participation Interest. Except as otherwise expressly provided in this Agreement, if any Lender or the Administrative Agent shall fail to remit to the Administrative Agent or any other Lender an amount payable by such Lender or the Administrative Agent to the Administrative Agent or such other Lender pursuant to this Agreement on the date when such amount is due, such payments shall be made together with interest thereon for each date from the date such amount is due until the date such amount is paid to the Administrative Agent or such other Lender at a rate per annum equal to the Federal Funds Rate. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a set-off to which this Section 2.22 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders under this Section 2.22 to share in the benefits of any recovery on such secured claim. The provisions of this Section 2.22 shall not be construed to apply to (A) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), (B) the application of Cash Collateral provided for in Section 2.25 or (C) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in Swingline Loans and Letters of Credit to any assignee or participant.

Section 2.23 Mitigation of Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 2.16, or requires the Borrower to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or any Lender delivers notice pursuant to Section 2.18(b), then such Lender shall (at the request of the Borrower) use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable

pursuant to Section 2.16 or 2.17, as the case may be, in the future, or would eliminate or reduce the effect of any Change in Law that resulted in such notice having been delivered by such Lender pursuant to Section 2.18(b), and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 2.16, or if the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17 and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 2.23(a), or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 7.05(b)), all of its interests, rights (other than its existing rights to payments pursuant to Section 2.16 or 2.17) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that:

(i) the Borrower shall have paid (or caused to be paid) to the Administrative Agent the assignment fee (if any) specified in Section 7.05(b)(iv);

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in Letters of Credit, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 2.13 as though such assignment were a prepayment) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 2.16 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments thereafter;

(iv) such assignment does not conflict with applicable law; and

(v) in the case of any assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Section 2.24 Defaulting Lenders.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) *Waivers and Amendments*. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of "Required Lenders" and Section 7.04.

(ii) *Defaulting Lender Waterfall*. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VI or otherwise, and including any amounts made available to the Administrative Agent by such Defaulting Lender pursuant to Section 2.20) shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to any LC Issuing Bank or Swingline Bank hereunder; third, subject to Section 2.24(a)(v), if so determined by the Administrative Agent or requested by any LC Issuing Bank or Swingline Bank, to Cash Collateralize the LC Issuing Banks' and Swingline Bank's Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.25; fourth, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower, to be held in a non-interest bearing deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) Cash Collateralize the LC Issuing Banks' future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.25; sixth, to the payment of any amounts owing to the Lenders, the LC Issuing Banks or the Swingline Banks as a result of any judgment of a court of competent jurisdiction obtained by any Lender, any LC Issuing Bank or any Swingline Bank against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or LC Disbursements in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 3.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of and LC Disbursements owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or LC Disbursements owed to, such Defaulting Lender. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.24(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) *Certain Fees*.

(A) Such Defaulting Lender shall be entitled to receive a Facility Fee for any period during which that Lender is a Defaulting Lender only to extent allocable to the sum of (1) the aggregate outstanding principal amount of the Base Rate Loans and SOFR Loans funded by it, and (2) its Pro Rata Percentage of the stated amount of Letters of Credit and Swingline Loans for which it has provided Cash Collateral pursuant to Section 2.25 or Section 2.24(a)(ii).

(B) Such Defaulting Lender shall be entitled to receive LC Fees for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Pro Rata Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.25 or Section 2.24(a)(ii).

(C) With respect to any Facility Fee or LC Fee not required to be paid to any Defaulting Lender pursuant to sub-clause (A) or (B) above, the Borrower shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in LC Disbursements or Swingline Loans that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (y) pay to each LC Issuing Bank and Swingline Bank, as applicable, the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such LC Issuing Bank's or Swingline Bank's Fronting Exposure with respect to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(iv) *Reallocation of Participations to Reduce Fronting Exposure*. For purposes of computing the amount of each Non-Defaulting Lender's obligation to acquire, purchase, refinance or fund participations in Letters of Credit or Swingline Loans pursuant to Sections 2.03 and 2.04, the "Pro Rata Percentage" and "Pro Rata Share" of each such Non-Defaulting Lender shall be computed without giving effect to the Commitment of any Defaulting Lender; provided, that, each such reallocation shall be given effect only to the extent that the aggregate amount of each Non-Defaulting Lender's obligation to acquire, purchase, refinance or fund participations in Letters of Credit and Swingline Loans shall not exceed the positive difference, if any, of (1) the Commitment of such Non-Defaulting Lender minus (2) the Outstanding Credits of such Non-Defaulting Lender at such time.

(v) *Cash Collateral, Repayment of Swingline Loans*. If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under law, (x) first, at the Borrower's election, (A) prepay Swingline Loans in an amount equal to the Swingline Banks' Fronting Exposure or (B) Cash Collateralize the Swingline Banks' Fronting Exposure in accordance with the procedures set forth in Section 2.25 and (y) second, Cash Collateralize the LC Issuing Banks' Fronting Exposure in accordance with the procedures set forth in Section 2.25.

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent, each Swingline Bank and each LC Issuing Bank agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit and Swingline Loans to be held pro rata by the Lenders in accordance with their Pro Rata Percentages (without giving effect to Section 2.24(a)(iv)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder in any Lender's status from Defaulting Lender to Non-Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) New Swingline Loans/Letters of Credit. So long as any Lender is a Defaulting Lender, (i) no Swingline Bank shall be required to fund any Swingline Loans unless it is satisfied that it will have no Fronting Exposure after giving effect to such Swingline Loan and (ii) no LC Issuing Bank shall be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

(d) Termination of Defaulting Lenders. The Borrower may terminate the unused amount of the Commitment of any Defaulting Lender upon not less than three (3) Business Days' prior notice to the Administrative Agent (which shall promptly notify the Lenders thereof), and in such event the provisions of Section 2.24(a)(ii) will apply to all amounts thereafter paid by the Borrower for the account of such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts); provided that such termination shall not be deemed to be a waiver or release of any claim the Borrower, the Administrative Agent, any LC Issuing Bank, any Swingline Bank or any other Lender may have against such Defaulting Lender.

(e) No Waiver. The rights and remedies against, and with respect to, a Defaulting Lender under this Section 2.24 are in addition to, and cumulative and not in limitation of, all other rights and remedies that the Administrative Agent and each Lender, each LC Issuing Bank, each Swingline Bank or the Borrower may at any time have against, or with respect to, such Defaulting Lender. In particular, subject to Section 7.15, no reallocation under Section 2.24(a)(iv) shall constitute a waiver or release of any claim the Borrower, the Administrative Agent, any LC Issuing Bank, any Swingline Bank or any Lender may have against a Defaulting Lender arising from such Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased Outstanding Credits following such reallocation.

Section 2.25 Cash Collateral.

(a) Defaulting Lenders Generally. At any time that there shall exist a Defaulting Lender, within two (2) Business Days following the written request of the Administrative Agent, any LC Issuing Bank (with a copy to the Administrative Agent), or any Swingline Bank (with a copy to the Administrative Agent), the Borrower shall Cash Collateralize the LC Issuing Banks' Fronting Exposure or the Swingline Bank's Fronting Exposure, as applicable, with respect to such Defaulting Lender (determined after giving effect to Section 2.24(a)(iv) and any Cash Collateral provided by such Defaulting Lender) in an amount equal to 100% of such Fronting Exposure.

(b) Grant of Security Interest. Each of the Borrower, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grants to the Administrative Agent, for the benefit of the LC Issuing Banks and the Swingline Banks, as applicable, and agrees to maintain, a first priority security interest in all such Cash Collateral as security for the Defaulting Lenders' obligations to fund participations in respect of Letters of Credit and for the Defaulting Lenders' obligations to purchase their respective Pro Rata Shares in respect of Swingline Loans, as applicable, to be applied pursuant to paragraph (c) below. If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent, the Swingline Banks and/or the LC Issuing Banks as herein provided, or that the total amount of such Cash Collateral is less than the outstanding Fronting Exposure, the Borrower or the applicable Defaulting Lender will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency (in the case of the Borrower, after giving effect to any Cash Collateral provided by the Defaulting Lender).

(c) Application. Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.25 or Section 2.24 in respect of Letters of Credit shall be applied to the satisfaction of the applicable Defaulting Lender's obligation to fund participations in respect of Letters of Credit (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein. Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.25 or Section 2.24 in respect of Swingline Loans shall be applied to the payment of the applicable Defaulting Lender's Pro Rata Percentage purchase of Swingline Loans (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

(d) Termination of Requirement. Cash Collateral (or the appropriate portion thereof) provided to reduce any LC Issuing Bank's Fronting Exposure or Swingline Bank's Fronting Exposure shall be promptly released following (i) the elimination of the applicable Fronting Exposure, including by the termination of Defaulting Lender status of the applicable Lender (or, as applicable, its assignee following compliance with Section 7.05(b)(vi)), or (ii) the determination by the Administrative Agent and each LC Issuing Bank or Swingline Bank, as applicable, that there exists excess Cash Collateral; provided that, subject to Section 2.24 the Person providing Cash Collateral and each LC Issuing Bank or Swingline Bank, as applicable, may agree that Cash Collateral shall be held to support future anticipated Fronting Exposure or other obligations.

ARTICLE III
CONDITIONS TO EXTENSIONS OF CREDIT

Section 3.01 Conditions Precedent to Initial Extension of Credit. The obligation of the Lenders to make Loans on the occasion of the initial Borrowing, of any Swingline Bank to make the initial Swingline Loan and of any LC Issuing Bank to issue the first Letter of Credit (including the deemed issuance of the Existing Letters of Credit hereunder) is subject to the condition that, on or prior to the date of such first Extension of Credit, the Administrative Agent shall have received the following, each dated as of the same date (unless otherwise indicated), and each in form and substance reasonably satisfactory to the Administrative Agent:

(a) this Agreement, duly executed by the Borrower, each of the Lenders and the Administrative Agent and acknowledged by the Parent;

(b) if requested by any Lender, a Note, payable to such Lender, duly completed and executed by the Borrower;

(c) all documents that the Administrative Agent and the Lenders may reasonably request relating to the existence of the Borrower and the Parent, the corporate authority for and the validity of this Agreement and the other Loan Documents and any other matters relevant hereto, all in form and substance reasonably satisfactory to the Administrative Agent and the Lenders, including a certificate of incumbency of each of the Borrower and the Parent, signed by the Secretary or an Assistant Secretary of the Borrower and the Parent, certifying as to the names, true signatures and incumbency of the officer or officers authorized to execute and deliver the Loan Documents (other than the Support Agreement) to which each is a party and attaching certified copies of the following items: (i) the Support Agreement and the Financial Services Agreement, (ii) the Borrower's and the Parent's Certificates of Incorporation, (iii) the Borrower's and the Parent's bylaws, (iv) the actions taken by the board of directors of the Borrower and the Parent authorizing the Borrower's and the Parent's execution, delivery and performance of this Agreement and the other Loan Documents (other than the Support Agreement) to which each is a party, and (v) all governmental and other third party consents or approvals (if any) required in connection with the execution, delivery and performance of the Loan Documents (other than the Support Agreement) by the Borrower and the Parent;

(d) an opinion of Morgan, Lewis & Bockius LLP, counsel for the Borrower and the Parent;

(e) certificates of the Secretary of State of Delaware as to the good standing of the Borrower and the Parent as Delaware corporations;

(f) (i) the unaudited balance sheet of the Borrower as of December 31, 2021 and the related unaudited statements of income and cash flows for the Fiscal Year then ended, and (ii) the audited financial statements referenced in Section 4.05(a).

(g) payment of all (i) fees due to the Administrative Agent, the Joint Lead Arrangers and the Lenders set forth in the Fee Letters and (ii) reasonable and documented fees and expenses of counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent) to the extent accrued and unpaid and invoiced to the Borrower prior to or on the Closing Date;

(h) at least five (5) Business Days prior to the Closing Date, all documentation and other information requested by the Administrative Agent or any Lender or required by regulatory authorities in order for the Administrative Agent and the Lenders to comply with requirements of any Anti-Money Laundering Laws, including the Act and any applicable "know your customer" rules and regulations, to the extent reasonably requested by the Administrative Agent or any Lender at least ten (10) Business Days prior to the Closing Date;

(i) at least five (5) Business Days prior to the Closing Date, to the Administrative Agent and directly to any Lender requesting the same, a Beneficial Ownership Certification in relation to the Borrower (or a certification that such Borrower qualifies for an express exclusion from the "legal entity customer" definition under the Beneficial Ownership Regulations), to the extent reasonably requested by the Administrative Agent or any Lender at least ten (10) Business Days prior to the Closing Date; and

(j) such other documents, approvals, and opinions as may be mutually agreed by the Borrower and the Administrative Agent.

Without limiting the generality of the provisions of Section 8.04, for purposes of determining compliance with the conditions specified in this Section 3.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required hereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the Closing Date specifying its objection thereto.

Section 3.02 Conditions to All Extensions of Credit. The obligation of the Lenders to make (but not Continue or Convert) Loans on the occasion of each Borrowing, of each Swingline Bank to make a Swingline Loan and of each LC Issuing Bank to issue, extend or increase the stated amount of Letters of Credit, including the first Extension of Credit (including the deemed issuance of the Existing Letters of Credit hereunder), is subject to the satisfaction of the following conditions:

(a) the Administrative Agent shall have received a Notice of Borrowing, Notice of Swingline Borrowing or Request for Issuance, as applicable;

(b) all representations and warranties of the Borrower contained in Article IV (other than the representations and warranties set forth in Sections 4.04 and 4.05(b) which shall only be made and need only be true on the Closing Date) shall be true in all material respects as if made on and as of the date of such Extension of Credit (except that (i) with respect to any representation and warranty that expressly relates to an earlier date, in which case such representation and warranty shall be true in all material respects as of such earlier date, and (ii) with respect to any representation and warranty that is qualified by materiality or reference to Material Adverse Change, in which case such representation and warranty shall be true in all respects as of such date (or earlier date, as applicable);

(c) immediately prior to and immediately after such Extension of Credit, no Default or Event of Default under this Agreement shall have occurred and be continuing; and

(d) immediately after such Extension of Credit, the Outstanding Credits will not exceed the aggregate Commitment.

The making of each Extension of Credit (other than any Conversion or Continuation of a Loan) shall be deemed to be a representation and warranty by the Borrower on the date of such Extension of Credit that the conditions specified in paragraphs (b), (c) and (d) above have been satisfied.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 4.01 Corporate Existence and Status. Each of the Borrower, the Parent and each Significant Subsidiary of the Parent has been duly organized, is validly existing and in good standing under the laws of the jurisdiction of its incorporation and is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary, except where the failure to be so qualified would not reasonably be expected to result in a Material Adverse Change. Each of the Borrower, the Parent and each Significant Subsidiary of the Parent has all corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

Section 4.02 Corporate Power and Authority; Enforceability. The execution, delivery and performance by the Borrower and the Parent of this Agreement and the other Loan Documents to which the Borrower or the Parent is a party (i) are within the Borrower's and the Parent's respective corporate powers and (ii) have been duly authorized by all necessary corporate action. This Agreement and the other Loan Documents to which the Borrower or the Parent is a party constitute valid and binding agreements of the Borrower and the Parent, as the case may be, enforceable in accordance with their respective terms, and the Notes, if and when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, except, in each case, as the enforceability hereof and thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or similar laws applicable to creditors' rights or the collection of debtors' obligations generally and equitable principles of general applicability.

Section 4.03 Non-Violation.

(a) The execution, delivery and performance by the Borrower and the Parent of this Agreement and the other Loan Documents to which the Borrower or the Parent is a party (i) do not conflict with, result in a breach of or constitute a default under any provision of the certificate of incorporation or bylaws (or other analogous formation documents) of the Borrower or the Parent, (ii) do not conflict with, result in a breach of or constitute a default under any provision of any material contract, agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or the Parent, except to the extent such conflict, breach or default would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Change and (iii) do not result in the creation or imposition of any Lien on any asset of the Borrower, the Parent or any Significant Subsidiary of the Parent (other than Permitted Liens).

(b) The execution and delivery by the Borrower and the Parent of this Agreement and the other Loan Documents to which the Borrower or the Parent is a party, the incurring and repayment by the Borrower of the Obligations, and the performance by the Parent of the Support Agreement do not violate any law, rule or regulation applicable to the Borrower or the Parent, as applicable.

(c) The performance by the Borrower of its other obligations under this Agreement and the other Loan Documents to which it is a party does not violate any law, rule or regulation applicable to the Borrower except where such violation would not reasonably be expected to have a Material Adverse Change.

Section 4.04 Litigation. There are no pending or, to the knowledge of the Borrower, threatened actions or proceedings (including any Environmental Proceedings) affecting the Borrower, the Parent or any Subsidiary of the Parent before any court, governmental agency or arbitrator, that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Change.

Section 4.05 Financial Information.

(a) The consolidated balance sheet of the Parent and its Subsidiaries, as of December 31, 2021, and the related statements of income and cash flows for the Fiscal Year then ended, reported on by independent public accountants of nationally recognized standing (copies of which have been delivered to the Lenders), fairly present, in conformity with GAAP, the consolidated financial position of the Parent and its Subsidiaries, as of such date, and of their results of operations and cash flows for such period stated.

(b) Since December 31, 2021, there has been no Material Adverse Change.

Section 4.06 Approvals. The execution, delivery and performance by the Borrower and the Parent of this Agreement and the other Loan Documents to which the Borrower or the Parent is a party require no action by or in respect of, or filing with, any governmental body, agency or official or any other Person except where the failure to obtain such approval or such violation would not reasonably be expected to result in a Material Adverse Change.

Section 4.07 Use of Proceeds. The proceeds of the Loans and the Letters of Credit will be used by the Borrower for working capital and other general corporate purposes of the Parent and its Subsidiaries. The Borrower and its Subsidiaries shall not use the proceeds of the Loans and the Letters of Credit (a) in violation of any Anti-Corruption Laws or Anti-Money Laundering Laws, (b) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country or (c) in any manner that results in the violation of any Sanctions applicable to any party hereto.

Section 4.08 Investment Company Act; Margin Regulations. Each of Parent and the Borrower is either not an "investment company" under the Investment Company Act of 1940 (the "***Investment Company Act***") or is exempt from all provisions of the Investment Company Act. Neither the Borrower, the Parent nor any Subsidiary of the Parent will apply the proceeds of any of the Loans, directly or indirectly, for the purpose, either immediate, incidental or ultimate, of purchasing or carrying any Margin Stock, except in compliance with Section 5.02(d).

Section 4.09 Compliance with Laws. Each of the Borrower, the Parent and each Subsidiary of the Parent is in compliance with all applicable laws, regulations and similar requirements of Governmental Authorities (including the Act, Anti-Corruption Laws, Anti-Money Laundering Laws, applicable Sanctions and all Environmental Requirements), except where the failure to be in compliance would not reasonably be expected to result in a Material Adverse Change.

Section 4.10 Compliance with ERISA.

(a) Except as would not reasonably be expected to result in a Material Adverse Change, the Borrower, the Parent, each Significant Subsidiary of the Parent and each other member of the Controlled Group of the foregoing have fulfilled their respective obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan and have not incurred any liability to the PBGC (other than for current premiums, which have been paid when due) or a Plan under Title IV of ERISA (other than liabilities for benefits and administration and operational expenses incurred in the ordinary course of Plan operations). As of the valuation date immediately preceding the Closing Date, no Plan of the Borrower, the Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing has been determined to be in "at risk" status (within the meaning of Section 430 of the Code or Section 303 of ERISA), and as of the Closing Date, no such Plan is reasonably expected to become an "at-risk" plan. No Multiemployer Plan is, or is expected to be, insolvent (within the meaning of ERISA Section 4245) or in "critical" status (within the meaning of ERISA Section 304).

(b) All contributions (if any) that the Borrower, the Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing have been required to make to a Multiemployer Plan have been duly and timely made and none of Borrower, Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing has incurred any material liability with respect to any Multiemployer Plan other than to make contributions as and when due. None of the Borrower, the Parent, any Significant Subsidiary of the Parent nor any member of the Controlled Group of the foregoing has incurred any Withdrawal Liability that has not been fully paid.

Section 4.11 Environmental Matters. Neither the Borrower, the Parent nor any Significant Subsidiary of the Parent is subject to any Environmental Liability that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Change.

Section 4.12 Taxes. There have been filed on behalf of the Borrower, the Parent and each Significant Subsidiary of the Parent all United States federal, state, provincial and local income, excise, property and other material tax returns that are required to be filed by the Borrower, the Parent and such Significant Subsidiary of the Parent, and all taxes shown to be due pursuant to such returns or pursuant to any assessment received by or on behalf of the Borrower, the Parent and such Significant Subsidiary of the Parent have been, or within the times required by law will be, paid except (i) where the amount or validity thereof currently is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower, the Parent or such Significant Subsidiary of the Parent, as the case may be, or (ii) where failure to file or nonpayment would not reasonably be expected to result in a Material Adverse Change.

Section 4.13 No Defaults. Neither the Borrower, the Parent nor any Significant Subsidiary of the Parent is in default under or with respect to any material agreement, instrument or undertaking (other than in respect of Debt) to which it is a party, or by which it or any of its properties is bound which would reasonably be expected to result in a Material Adverse Change. No Default or Event of Default has occurred and is continuing.

Section 4.14 Ownership of Borrower and Operating Utilities. The Parent owns directly or indirectly (i) 100% of the Common Stock of the Borrower and (ii) at least 50% of the Common Stock of each Operating Utility, in each case, free and clear of any Lien other than Permitted Liens.

Section 4.15 Ownership of Properties and Assets. Each of the Borrower, the Parent and each Significant Subsidiary of the Parent has title to its properties and assets sufficient for the conduct of its respective business, except where the failure to have such title would not reasonably be expected to result in a Material Adverse Change.

Section 4.16 Full Disclosure. No written information (other than projections, other forward-looking information and information of a general economic or industry specific nature) furnished by the Borrower and the Parent to the Administrative Agent and the Lenders for purposes of or in connection with this Agreement and the Loan Documents or any transaction contemplated hereby or thereby (when taken as a whole for the purposes for which such information is given and read together with all other previously provided information), contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements were made; provided that in the case of projections, such projections were prepared in good faith based on estimates and assumptions believed by the Borrower and the Parent to be reasonable at the time made. As of the Closing Date (or the date of the delivery of any subsequent update), all of the information included in the Beneficial Ownership Certification is true and correct.

Section 4.17 Anti-Corruption Laws and Sanctions. The Borrower and the Parent have implemented and maintain in effect policies and procedures designed to ensure compliance in all material respects by the Borrower, the Parent, the Subsidiaries of the Parent and their respective directors, officers, employees and agents with Anti-Corruption Laws, Anti-Money Laundering Laws and applicable Sanctions, and the Borrower, the Parent, the Subsidiaries of the Parent and their respective directors, officers and employees and to the knowledge of the Borrower its agents, are in compliance with Anti-Corruption Laws, Anti-Money Laundering Laws and applicable Sanctions. None of (a) the Borrower, the Parent, any Subsidiary of the Parent nor any of their respective directors, officers, employees or affiliates, or (b) to the knowledge of the Borrower or the Parent, any agent or representative of the Borrower, the Parent or any Subsidiary of the Parent that will act in any capacity in connection with or benefit from the credit facility established hereby is a Sanctioned Person or currently the subject or target of any Sanctions.

Section 4.18 Margin Stock. The Borrower is not engaged principally or as one of its important activities in the business of extending credit for the purpose of "purchasing" or "carrying" any Margin Stock.

ARTICLE V
COVENANTS

Section 5.01 Affirmative Covenants. So long as any Loan shall remain unpaid, any Letter of Credit shall remain outstanding or any Lender shall have any Commitment hereunder, the Borrower agrees as follows:

(a) Parent Financial Reporting. The Borrower will cause the Parent to deliver to the Administrative Agent (which shall promptly make such information available to the Lenders in accordance with its customary practice):

(i) as soon as available and in any event within 90 days after the end of each Fiscal Year, a consolidated balance sheet of the Parent and its Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of income and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all reported on by independent public accountants of nationally recognized standing, with such report to be free of any "going concern" or similar qualification or exception or any qualification as to the scope of such audit;

(ii) as soon as available and in any event within 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a consolidated balance sheet of the Parent and its Subsidiaries as of the end of such Fiscal Quarter and the related consolidated statement of income and cash flows for such Fiscal Quarter and for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in each case in comparative form the figures for the corresponding Fiscal Quarter and the corresponding portion of the previous Fiscal Year, all certified by a Financial Officer of the Parent to present fairly in all material respects the financial condition of the Parent and its Subsidiaries on a consolidated basis as of their respective dates and the results of operations of the Parent and its Subsidiaries for the respective periods then ended, subject to normal year-end adjustments and the absence of footnotes; and

(iii) no later than five (5) Business Days following the delivery of each set of financial statements referred to in Sections 5.01(a)(i) and 5.01(a)(ii), a certificate of a Financial Officer of the Parent demonstrating and certifying compliance with the financial covenant set forth in Section 5.01(i).

(b) Borrower Financial Reporting. The Borrower will deliver to the Administrative Agent (which shall promptly make such information available to the Lenders in accordance with its customary practice):

(i) as soon as available and in any event within 90 days after the end of each Fiscal Year, a balance sheet of the Borrower as of the end of such Fiscal Year and the related statements of income and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all certified by a Financial Officer of the Borrower to present fairly in all material respects the financial condition of the Borrower as of the date indicated and the results of operations of the Borrower for such Fiscal Year;

(ii) as soon as available and in any event within 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a balance sheet of the Borrower as of the end of such Fiscal Quarter and the related statement of income and cash flows for such Fiscal Quarter and for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in each case in comparative form the figures for the corresponding Fiscal Quarter and the corresponding portion of the previous Fiscal Year, all certified by a Financial Officer of the Borrower to present fairly in all material respects the financial condition of the Borrower as of their respective dates and the results of operations of the Borrower for the respective periods then ended, subject to normal year-end adjustments and the absence of footnotes; and

(iii) simultaneously with the delivery of each set of financial statements referred to in Sections 5.01(b)(i) and 5.01(b)(ii), a certificate of a Financial Officer of the Borrower stating whether, to the knowledge of such Financial Officer, any Default or Event of Default exists on the date of such certificate and, if any Default or Event of Default then exists, setting forth the details thereof and the action which the Borrower or the Parent, as applicable, is taking or proposes to take with respect thereto.

(c) Other Reporting Requirements. The Borrower will, and will cause the Parent to, deliver to the Administrative Agent (which shall promptly make such information available to the Lenders in accordance with its customary practice):

(i) within five (5) Business Days after a Responsible Officer of the Borrower or the Parent becomes aware of the occurrence of any Default or Event of Default, a certificate of a Financial Officer of the Borrower or the Parent, as applicable, setting forth the details thereof and the action which the Borrower or the Parent, as applicable, is taking or proposes to take with respect thereto;

(ii) promptly upon the filing thereof with the SEC, copies of all reports with respect to material litigation which the Borrower, the Parent or any Subsidiary of the Parent files with the SEC;

(iii) within five (5) Business Days after the furnishing thereof, copies of all financial statements and reports sent to the stockholders of the Parent generally, and promptly upon the filing thereof with the SEC, notice by electronic mail of the filing of any financial statements and reports which the Parent filed with the SEC (other than reports referred to in Sections 5.01(a)(i), 5.01(a)(ii) and 5.01(c)(ii));

(iv) promptly upon receipt thereof, notice of any downgrade in the S&P Rating or the Moody's Rating of the Borrower;

(v) simultaneously with the delivery of the certificate referred to in Section 5.01(a)(iii), if any Subsidiary has become or ceased to be a Significant Subsidiary, a revised Schedule II disclosing the Significant Subsidiaries as of the date of such certificate;

(vi) prompt notice of any proposed waiver, amendment, supplement or other modification of any term or condition of the Support Agreement;

(vii) promptly upon the request thereof, such other information and documentation required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations (including the Act), as from time to time reasonably requested by the Administrative Agent or any Lender;

(viii) if reasonably requested by any Lender (through the Administrative Agent) or the Administrative Agent, the Borrower will furnish to the Administrative Agent evidence of compliance with the Margin Regulations; and

(ix) from time to time such additional information regarding the business, financial condition or results of operations of the Borrower, the Parent or the Significant Subsidiaries of the Parent as the Administrative Agent and the Lenders may reasonably request.

(d) Compliance with Laws and Contractual Obligations.

(i) The Borrower will, and will cause the Parent and the Subsidiaries of the Parent to, comply with the requirements of all applicable laws (including the Act, ERISA, Anti-Corruption Laws, Anti-Money Laundering Laws, applicable Sanctions and Environmental Requirements), rules, regulations and orders, except where the failure to so comply would not reasonably be expected to result in a Material Adverse Change. Not in limitation of the foregoing, the Borrower will, and will cause the Parent, each Significant Subsidiary of the Parent and each other member of the Controlled Group of the foregoing to make all payments to each Plan of the Borrower, the Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing necessary to meet the minimum funding requirements of Section 412 of the Code and Section 302 of ERISA.

(ii) The Borrower will, and will cause the Parent and the Significant Subsidiaries of the Parent to, comply with the requirements of all material contractual obligations (other than

Debt) to which it is a party, except (A) where the necessity of such compliance currently is being contested in good faith by appropriate proceedings and reserves in conformity with, and to the extent required by, GAAP with respect thereto have been provided on the books of the Borrower, the Parent or any Significant Subsidiary of the Parent, as the case may be, or (B) where the failure to so comply would not reasonably be expected to result in a Material Adverse Change.

(e) Payment of Taxes. The Borrower will, and will cause the Parent and each Significant Subsidiary of the Parent to, pay promptly when due all taxes, assessments, governmental charges, claims for labor, supplies, rent and other obligations (other than Debt) which, if unpaid, might become a Lien against the Properties of the Borrower, the Parent or such Significant Subsidiary, except (i) liabilities that are currently being contested in good faith by appropriate proceedings and reserves in conformity with, and to the extent required by, GAAP with respect thereto have been provided on the books of the Borrower, the Parent or such Significant Subsidiary, as the case may be, or (ii) where the failure to pay would not reasonably be expected to result in a Material Adverse Change.

(f) Maintenance of Insurance. The Borrower will, and will cause the Parent and each Significant Subsidiary of the Parent to, maintain with financially sound and reputable insurance companies, insurance on its Properties in at least such amounts and against at least such risks as are usually insured against in the same general area by companies of established repute engaged in the same or similar business as the Borrower, the Parent or such Significant Subsidiary of the Parent, as the case may be.

(g) Maintenance of Properties; Inspection of Property, Books and Records.

(i) Except as permitted by Section 5.02(b), the Borrower will, and will cause the Parent and the Significant Subsidiaries of the Parent to, maintain all of its Properties and assets necessary and material to its business in good condition, repair and working order, ordinary wear and tear excepted, in accordance with standards observed by companies engaged in the same or similar business and similarly situated as the Borrower, the Parent or such Subsidiaries of the Parent, as the case may be, except where the failure to so maintain its respective Properties and assets would not reasonably be expected to result in a Material Adverse Change; provided that nothing in this Section 5.01(g)(i) shall prevent the Borrower, the Parent or any Significant Subsidiary of the Parent from discontinuing the operation or maintenance of any such Properties or assets or disposing of such Properties or assets if such discontinuance is, in the judgment of the Borrower, desirable in the conduct of its business or the business of the Parent or any such Significant Subsidiary.

(ii) The Borrower will, and will cause the Parent and each Significant Subsidiary of the Parent to, (A) keep proper books of record and account in which full, true and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its respective business and activities and (B) permit representatives of the Administrative Agent (and any Lender in attendance with the Administrative Agent) to visit and inspect any of its Properties at reasonable business hours upon reasonable notice, to examine and make abstracts from any of its books and records and to discuss its affairs, finances and accounts with its respective officers, employees and independent public accountants; provided that (w) excluding any such visits and inspections during the continuation of an Event of Default, the Administrative Agent shall conduct such visits and inspections at its (and the applicable Lenders') expense and not exercise such rights more often than one (1) time during any calendar year; (x) upon the occurrence and during the continuance of an Event of Default, the Administrative Agent and any Lender may do any of the foregoing at the expense of the Borrower and at any time without advance notice; (y) any such visits or inspections shall be subject to such conditions as the Borrower, the Parent and

each Significant Subsidiary of the Parent, as the case may be, shall deem necessary based on reasonable considerations of safety and security; and (z) neither the Borrower, the Parent or any Significant Subsidiary of the Parent shall be required to disclose any information that is subject to the attorney-client privilege or attorney work-product privilege properly asserted by the applicable person to prevent the loss of such privilege or which is prevented from disclosure pursuant to a confidentiality agreement with third parties.

(h) Maintenance of Existence.

(i) The Borrower will, and will cause the Parent to, maintain its corporate existence except as permitted under Section 5.02(b).

(ii) The Borrower will, and will cause the Parent and each Significant Subsidiary of the Parent to maintain all rights, franchises, licenses and privileges necessary to the conduct of its business, except (x) as permitted under Section 5.02(b) and (y) where the failure to take such action would not reasonably be expected to result in a Material Adverse Change.

(i) Debt Capitalization. The Borrower will cause the Parent to maintain at the end of each Fiscal Quarter a ratio of Consolidated Total Debt to Consolidated Total Capitalization of not more than 0.70 to 1.0.

(j) Compliance with Anti-Corruption Laws and Sanctions; Beneficial Ownership Regulation. The Borrower and the Parent will (i) maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrower, the Parent, the Subsidiaries of the Parent and their respective directors, officers, employees and agents with Anti-Corruption Laws, Anti-Money Laundering Laws and applicable Sanctions, (ii) notify the Administrative Agent and each Lender that previously received a Beneficial Ownership Certification (or a certification that the Borrower qualifies for an express exclusion to the "legal entity customer" definition under the Beneficial Ownership Regulation) of any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified therein (or, if applicable, the Borrower ceasing to fall within an express exclusion to the definition of "legal entity customer" under the Beneficial Ownership Regulation) and (iii) promptly upon the reasonable request of the Administrative Agent or any Lender, provide the Administrative Agent or directly to such Lender, as the case may be, any information or documentation requested by it for purposes of complying with the Beneficial Ownership Regulation.

Documents required to be delivered pursuant to Sections 5.01(a), 5.01(b) and 5.01(c) (other than Section 5.01(c)(ii)) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address listed in Section 7.01; or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrower shall notify the Administrative Agent by facsimile or electronic mail (which shall promptly provide notice to the Lenders in accordance with its customary practice) of the posting of any such documents. Notwithstanding anything contained herein, in every instance the Parent and the Borrower shall be required to provide paper copies of the compliance certificates required by Sections 5.01(a)(iii) and 5.01(b)(iii) to the Administrative Agent. Except for such compliance certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain

copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower and the Parent hereby acknowledge that (a) the Administrative Agent and/or the Joint Lead Arrangers will make available to the Lenders and the LC Issuing Banks materials and/or information provided by or on behalf of the Borrower and the Parent hereunder (collectively, the "***Borrower Materials***") by posting the Borrower Materials on SyndTrak Online or another similar electronic system (the "***Platform***") and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower, the Parent or their respective securities) (each, a "***Public Lender***"). The Borrower hereby agrees that if (x) the Borrower has clearly and conspicuously marked any Borrower Materials "PUBLIC", which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof or (y) the Borrower Materials have been filed with the SEC without a request of confidential treatment, (A) the Borrower shall be deemed to have authorized the Administrative Agent, the Joint Lead Arrangers, the LC Issuing Banks and the Lenders to treat such Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Borrower, the Parent or their respective securities for purposes of United States Federal and state securities laws (provided that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 7.06); (B) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor"; and (C) the Administrative Agent and the Joint Lead Arrangers shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor". Notwithstanding the foregoing, the Borrower shall be under no obligation to mark any Borrower Materials "PUBLIC".

Section 5.02 Negative Covenants. So long as any Loan shall remain unpaid, any Letter of Credit shall remain outstanding or any Lender shall have any Commitment hereunder, the Borrower agrees as follows:

(a) Restrictions on Liens. The Borrower shall not, and shall not cause or permit the Parent or any Significant Subsidiary of the Parent to create, incur, assume or suffer to exist, any Lien on or with respect to any of its respective Property, whether now owned or hereafter acquired, except Permitted Liens.

(b) Consolidations; Mergers; Etc. Neither the Borrower nor the Parent shall consolidate or merge with or into, or sell, lease or otherwise transfer all or substantially all of its assets, taken as a whole, to any other Person; provided that (i) the Parent may consolidate or merge with another Person so long as (A) the Parent is the Person surviving or continuing after the completion of such consolidation or merger; (B) after giving effect to such consolidation or merger, the S&P Rating and the Moody's Rating of the Parent is BBB-/Baa3 or higher; and (C) immediately after giving effect to such consolidation or merger, no Default or Event of Default shall have occurred and be continuing and (ii) the Borrower may consolidate or merge with, or sell, lease or otherwise transfer all or substantially all of its assets to, the Parent so long as (A) in the case of a consolidation or merger, the Parent is the Person surviving or continuing after the completion of such consolidation or merger; (B) the Parent directly assumes all of the Borrower's obligations under the Loan Documents in accordance with documentation reasonably acceptable to the Administrative Agent; and (C) immediately after giving effect to such consolidation, merger, sale, lease or transfer, no Default or Event of Default shall have occurred and be continuing.

(c) Sale-Leaseback Transactions. The Borrower will not, and will not allow Parent or any Significant Subsidiary of the Parent to, enter into any Sale and Leaseback Transaction unless:

(i) the aggregate amount of the Attributable Debt of the Borrower, the Parent and the Significant Subsidiaries of the Parent in respect of Sale and Leaseback Transactions then outstanding would not exceed 15% of Consolidated Tangible Total Assets, or

(ii) the Borrower, the Parent or such Significant Subsidiary, within six (6) months of the applicable Sale and Leaseback Transaction, retires an amount of secured Debt which is not subordinate to the Obligations in an amount equal to the greater of (A) the net proceeds of the sale or transfer of the property or other assets that are the subject of such Sale and Leaseback Transaction or (B) the fair market value of the property leased pursuant to such Sale and Leaseback Transaction; provided that this Section 5.02(c) shall not apply to any Sale and Leaseback Transaction which (x) is for an initial term of three (3) years or less or (y) which has a sale price of (A) $1,000,000 or less, individually or (B) $20,000,000 or less in the aggregate.

(d) Use of Proceeds.

(i) No part of the proceeds of any of the Loans or Letters of Credit will be used for any purpose which violates the provisions of the Margin Regulations. The proceeds of the Loans shall not be used for any purpose other than as specified in Section 4.07.

(ii) The Borrower will not request any Extension of Credit, and the Borrower shall not use, and shall ensure that the Parent and its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Extension of Credit (x) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or Anti-Money Laundering Laws, (y) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (z) in any manner that would result in the violation of any Sanctions applicable to any party hereto or any Anti-Corruption Laws or Anti-Money Laundering Laws.

(e) Support Agreement. Subject to Section 7.04(a)(viii), the Borrower shall not, and shall not cause or permit the Parent to: (i) cancel or terminate the Support Agreement or (ii) amend or otherwise modify the terms of the Support Agreement, except for amendments and modifications that do not adversely affect the rights of the Lenders hereunder, in each case, without the prior written consent of the Lenders.

(f) Change in Nature of Business. Except as permitted by Section 5.02(b), the Borrower shall not engage in any business, operations or activities (whether directly, through a joint venture, in connection with a permitted acquisition or otherwise) other than financing activities for and on behalf of the Parent and one or more of the other Subsidiaries of the Parent.

ARTICLE VI
DEFAULTS

Section 6.01 Events of Default. If one or more of the following events ("***Events of Default***") shall have occurred and be continuing:

(a) the Borrower shall fail to pay (i) any principal of any Loan or Reimbursement Obligation on the date such payment is due, or (ii) interest on any Loan or Reimbursement Obligation or any other Obligation, within five (5) Business Days of the date such payment is due; or

(b) the Borrower shall fail to observe or perform (or shall fail to cause the Parent and its Subsidiaries or Significant Subsidiaries, as applicable, to observe or perform) any covenant or agreement contained in Section 5.01(c)(i), 5.01(h)(i), 5.01(i) or 5.02; or

(c) the Borrower shall fail to observe or perform (or shall fail to cause the Parent and its Subsidiaries or Significant Subsidiaries, as applicable, to observe or perform) any covenant or agreement contained in this Agreement (other than those covered by Section 6.01(a) or 6.01(b)) and such failure shall continue for a period of thirty (30) days after the earlier of (i) the Borrower's delivery of notice thereof to the Administrative Agent and (ii) written notice thereof has been given to the Borrower by the Administrative Agent or any Lender; or

(d) any representation, warranty, certification or statement made or deemed made by the Borrower in Article IV or by the Borrower or the Parent under any other Loan Document or in any certificate, financial statement or other document delivered pursuant to this Agreement or any other Loan Document shall prove to have been incorrect in any material respect (or for any representation, warranty, certification or statement that is qualified by materiality or reference to Material Adverse Change, in any respect) when made (or deemed made); or

(e) the Borrower, the Parent or any Significant Subsidiary of the Parent shall fail to pay any principal of or premium or interest on any Debt (excluding Debt evidenced by this Agreement and any Notes, but including, for purposes of this provision, obligations of the Parent under Section 4 of the Support Agreement) in an aggregate amount in excess of (i) $125,000,000, in the case of the Borrower, (ii) $125,000,000, in the case of the Parent or any Significant Subsidiary other than the Borrower or (iii) $250,000,000, in the aggregate, in the case of all of the Significant Subsidiaries of the Parent, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of (with the giving of notice and/or lapse of time, if required), the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; provided that if such failure, default, event or condition shall be cured by the Borrower, the Parent or such Significant Subsidiary or waived by the holders of such Debt and any acceleration of maturity having resulted from such failure, default, event or condition shall be rescinded or annulled, in each case in accordance with the terms of such agreement or instrument, without any modification of the terms of such Debt requiring the Borrower, the Parent or such Significant Subsidiary to furnish additional or other security therefor, furnish additional or other guarantees thereof, reduce the average life to maturity thereof, increase the principal amount thereof or the interest rate thereon, or any agreement by the Borrower, the Parent or such Significant Subsidiary to furnish additional or other security therefor, furnish additional or other guarantees thereof, or to issue Debt in lieu thereof which is secured by additional or other collateral or additional or other guarantees or with a shorter average life to maturity or in a greater principal amount or with a greater interest rate thereon, then any default hereunder by reason thereof shall be deemed likewise to have been thereupon cured or waived unless payment of the Loans hereunder has been accelerated prior to such cure or waiver; or

(f) the Parent shall default in the performance or observance of any obligation or condition under Section 3 of the Support Agreement as of the last day of any Fiscal Year or Fiscal Quarter of the Borrower; provided that any such default shall not be an Event of Default unless the Borrower has tangible net worth (total assets less liabilities less intangible assets as of such last day), as determined for purposes of the Support Agreement and after giving effect to period-end adjustments in accordance with GAAP, of less than negative $100,000, and, if such default is capable of being cured, such default shall continue for a period of ten (10) days after a Financial Officer of either the Borrower or the Parent first has actual knowledge of such default; or

(g) the Borrower, the Parent or any Significant Subsidiary of the Parent shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally, or shall admit in writing its inability, to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(h) an involuntary case or other proceeding shall be commenced against the Borrower, the Parent or any Significant Subsidiary of the Parent seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief in such case or proceeding shall be entered against the Borrower, the Parent or any such Significant Subsidiary under the federal bankruptcy laws as now or hereafter in effect; or

(i) one or more judgments or orders for the payment of money in an aggregate amount (to the extent not paid or insured) in excess of (i) $125,000,000, in the case of the Borrower, (ii) $125,000,000, in the case of the Parent or any Significant Subsidiary other than the Borrower or (iii) $250,000,000, in the aggregate, in the case of all of the Significant Subsidiaries of the Parent, shall be rendered against the Borrower, the Parent or any such Significant Subsidiary, and such judgment or order shall continue without having been discharged, vacated or stayed for a period of sixty (60) consecutive days after the entry thereof; or

(j) (i) the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Plan of the Borrower, the Parent, any Significant Subsidiary or any other member of the Controlled Group of the foregoing or any Multiemployer Plan or a proceeding shall be instituted by a fiduciary of any such Plan or Multiemployer Plan against the Borrower or any member of its Controlled Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or (ii) a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Multiemployer Plan must be terminated; or (iii) the Borrower, the Parent or any such Significant Subsidiary, or any member of the Controlled Group of the foregoing shall incur any Withdrawal Liability with respect to one or more Multiemployer Plans, in each case that results or is reasonably likely to result in liability to the Borrower or any Significant Subsidiary in the aggregate in excess of $125,000,000; or

(k) any material provision of the Support Agreement shall become unenforceable, or any court or governmental or regulatory body having jurisdiction over the Parent, shall assert the unenforceability of any such provision in writing, or the Parent contests in any manner the validity or enforceability of any such provision; or

(l) a Parent Change of Control shall occur; or

(m) except as permitted by Section 5.02(b), the Parent shall cease to own, directly or indirectly, 100% of the Common Stock of the Borrower;

then, and in every such event, the Administrative Agent, on behalf of the Lenders, the Swingline Banks and the LC Issuing Banks, may, with the consent of the Required Lenders (or shall at the request of the Required Lenders), by notice to the Borrower: terminate the Commitment, the Swingline Commitment and the LC Commitment and each shall thereupon terminate and declare the Loans (together with accrued interest thereon) and the Reimbursement Obligations and all other Obligations to be, and the Loans (together with all accrued interest thereon), Reimbursement Obligations and all other Obligations shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; provided that if any Event of Default specified in Section 6.01(g) or 6.01(h) occurs with respect to the Borrower or the Parent, without any notice to the Borrower or any other act by the Administrative Agent or any Lender, Swingline Bank or LC Issuing Bank, the Commitment, the Swingline Commitment and the LC Commitment shall thereupon automatically terminate and the Loans (together with accrued interest thereon) and all other Obligations shall automatically become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

Section 6.02 Cash Collateral Account. Notwithstanding anything to the contrary contained herein, no notice given or declaration made by the Administrative Agent pursuant to Section 6.01 shall affect the obligation of any LC Issuing Bank to make any payment under any Letter of Credit in accordance with the terms of such Letter of Credit; provided that upon the occurrence and during the continuance of any Event of Default, the Administrative Agent shall at the request, or may with the consent, of the Required Lenders, upon notice to the Borrower, require the Borrower to deposit with the Administrative Agent an amount in the cash collateral account (the "***Cash Collateral Account***") described below equal to 102% of the aggregate maximum amount available to be drawn under all Letters of Credit outstanding at such time. Such Cash Collateral Account shall at all times be free and clear of all rights or claims of third parties. The Cash Collateral Account shall be maintained with the Administrative Agent in the name of, and under the sole dominion and control of, the Administrative Agent, and amounts deposited in the Cash Collateral Account shall bear interest at a rate equal to the rate generally offered by the Administrative Agent for deposits equal to the amount deposited by the Borrower in the Cash Collateral Account, for a term to be determined by the Administrative Agent in its sole discretion. The Borrower hereby grants to the Administrative Agent for the benefit of the Lenders, the LC Issuing Banks and the Swingline Banks, a Lien on, and hereby assigns to the Administrative Agent for the benefit of the Lenders, the LC Issuing Banks and the Swingline Banks all of its right, title and interest in, the Cash Collateral Account and all funds from time to time on deposit therein to secure its Reimbursement Obligations in respect of Letters of Credit or repayment obligations in respect of the Swingline Loans, as applicable. If any drawings then outstanding or thereafter made are not reimbursed in full immediately upon demand or, in the case of subsequent drawings, upon being made, then, in any such event, the Administrative Agent may, and, upon the Borrower's request, shall, apply the amounts then on deposit in the Cash Collateral Account, in such priority as the Administrative Agent shall elect, toward the payment in full of any or all of the Borrower's Obligations hereunder as and when such Obligations shall become due and payable. Upon the earlier to occur of (a) payment in full, after the termination of the Letters of Credit, of all Obligations and (b) the date on which all Events of Default shall have been cured or waived, the Administrative Agent will repay and reassign to the Borrower any cash then on deposit in the Cash Collateral Account, and the Lien of the Administrative Agent on the Cash Collateral Account and the funds therein shall automatically terminate.

Section 6.03 Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Borrower, the Administrative Agent (irrespective of whether the principal of any Loan or Letters of Credit shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, Letters of Credit and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.09 and 7.03) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same in accordance with this Agreement;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 7.03.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

ARTICLE VII
MISCELLANEOUS

Section 7.01 Notices.

(a) All notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission or similar writing) and shall be given to such party at its address, or facsimile number or other electronic transmission set forth, in the case of the Borrower, the Parent, the Administrative Agent, the Lenders, the Swingline Banks and the LC Issuing Banks on the signature pages hereto (including, in the case of the Borrower, the Borrower's website) or such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Borrower and the Administrative Agent. Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified as provided in this Section and the appropriate confirmation is received, (ii) if given by e-mail, when transmitted to the email address specified in this Section and a written confirmation of such communication is also given by some other method specified in this Section, (iii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iv) if given by any other means, when delivered at the address specified as provided in this Section; provided that (x) Notices of Borrowings to the Administrative Agent and Notices of Swingline Borrowings to the applicable Swingline Bank under Article II shall not be effective until received and (y) notices delivered by facsimile or e-mail, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient.

(b) Notices and other communications to the Lenders and the LC Issuing Banks hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices to any Lender or LC Issuing Bank pursuant to Article II if such Lender or LC Issuing Bank, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under

such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

Section 7.02 No Waivers. No failure or delay by the Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any of the other Loan Documents shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 7.03 Expenses; Indemnification.

(a) The Borrower shall pay (i) all reasonable and documented out of pocket expenses incurred by the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers and their Affiliates (including the reasonable and documented fees and expenses of counsel for the Administrative Agent), in connection with the syndication of the credit facility evidenced by this Agreement, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents (other than the Support Agreement) or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) without duplication of any fees separately agreed to by the Borrower, all reasonable and documented out of pocket expenses incurred by any LC Issuing Bank (other than overhead expenses and other similar expenses) in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all documented out of pocket expenses incurred by the Administrative Agent, any Lender, any Swingline Bank or any LC Issuing Bank (including the reasonable and documented fees and expenses of any counsel for the Administrative Agent, any Lender, any Swingline Bank or any LC Issuing Bank), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loan made or Letters of Credit issued hereunder, including all such out of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit; provided that the Borrower shall only be required to pay the fees and expenses for (x) one (1) outside counsel for the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers, the Lenders, the Swingline Banks and the LC Issuing Banks, (y) any local and/or regulatory counsel in any applicable jurisdiction for the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers, the Lenders, the Swingline Banks and the LC Issuing Banks and (z) in the case of an actual or potential conflict of interest, such additional counsel as may be reasonably necessary.

(b) The Borrower shall indemnify the Administrative Agent, each Joint Lead Arranger, each Lender, each Swingline Bank and each LC Issuing Bank, and each Related Party of any of the foregoing Persons (each such Person being called an "***Indemnitee***") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related reasonable and documented out of pocket costs and expenses (including the reasonable and documented fees and expenses of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Borrower or the Parent) other than such Indemnitee and its Related Parties arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by any LC Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower, the Parent or any of its Subsidiaries, or any Environmental

Proceeding or Environmental Liability related in any way to the Borrower, the Parent or any of its Subsidiaries, (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, the Parent or any of its Subsidiaries, and regardless of whether any Indemnitee is a party thereto, or (v) any claim (including any claim arising from an Environmental Proceeding or Environmental Liability), investigation, litigation or other proceeding (whether or any Indemnitee is a party thereto) and the prosecution and defense thereof, arising out of or in any way connected with the Loans, this Agreement, any other Loan Document, or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby, including reasonable and documented attorneys' fees; provided that such indemnity shall (x) not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related costs and expenses are determined by a court of competent jurisdiction by final and nonappealable judgment (1) to have resulted from the gross negligence or willful misconduct of such Indemnitee or (2) to have resulted from a claim brought by the Borrower or the Parent against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, (y) not be available for any claim, litigation, loss or proceeding that is brought by an Indemnified Person against another Indemnified Person not arising from or in connection with any action or omission of the Borrower, the Parent or any of their respective Subsidiaries or Affiliates (other than against any of the Joint Lead Arrangers, the Administrative Agent or the Co-Documentation Agents in their capacities as such) and (z) be limited in the case of attorneys' fees and expenses to (1) one (1) outside counsel for the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers, the Lenders, the Swingline Banks and the LC Issuing Banks, (2) any local and/or regulatory counsel in any applicable jurisdiction for the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers, the Lenders, the Swingline Banks and the LC Issuing Banks and (3) in the case of an actual or potential conflict of interest, such additional counsel as may be reasonably necessary. This Section 7.03(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under paragraph (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), any LC Issuing Bank, any Swingline Bank or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), such LC Issuing Bank, such Swingline Bank or such Related Party, as the case may be, such Lender's Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the aggregate outstanding Commitments, or if there are no Commitments outstanding, the outstanding principal amount of the Loans, at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender); provided that with respect to such unpaid amounts owed to any LC Issuing Bank or Swingline Bank solely in its capacity as such, only the Lenders shall be required to pay such unpaid amounts, such payment to be made severally among them based on such Lenders' Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought); and provided, further, that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), such LC Issuing Bank or such Swingline Bank in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent), such LC Issuing Bank or any such Swingline Bank in connection with such capacity. The obligations of the Lenders under this paragraph (c) are subject to the provisions of Section 2.21(c).

(d) To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document, the transactions contemplated hereby or thereby, any Loan or Letter of Credit, or the use of the proceeds thereof. To the fullest extent permitted

by applicable law, no Indemnitee shall assert, and each Indemnitee hereby waives, any claim against the Borrower, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document, the transactions contemplated hereby or thereby, any Loan or Letter of Credit, or the use of the proceeds thereof; provided that this waiver shall in no way limit the Borrower's indemnification obligations in Section 7.03(b) to the extent of any claim by any Person other than the Borrower, the Parent or any Indemnitee or its Related Parties for any of the foregoing to the extent such claim would be covered by Section 7.03(b).

Section 7.04 Amendments, Waivers and Consents.

(a) Neither this Agreement nor any other Loan Document (other than the Support Agreement (except as provided in clause (viii) below)) nor any of the terms hereof or thereof may be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing and signed by the Required Lenders, the Borrower and the Parent; provided that no such amendment, change, waiver, discharge or termination shall without the consent of each Lender affected thereby:

(i) extend the final maturity of any Loan, or any portion thereof (except pursuant to Section 2.06),

(ii) reduce the rate or extend the time of payment of interest (other than a waiver or rescission of the application of the default rate of interest) or fees hereunder;

(iii) reduce or waive repayment of the principal amount of any Loan,

(iv) extend the Commitment of a Lender or increase the Commitment of a Lender over the amount thereof in effect (it being understood and agreed that none of (A) a waiver of any Default or Event of Default, (B) the extension of the Commitment of any other Lender in accordance with Section 2.06 or (C) the increase of the Commitment of any other Lender in accordance with Section 2.05, shall, in any case, constitute a change in the terms of the Commitment of such Lender),

(v) release the Borrower from all its obligations under the Loan Documents except as permitted hereby,

(vi) reduce any percentage specified in, or otherwise modify, the definition of "Required Lenders",

(vii) consent to the assignment or transfer by the Borrower of any of its respective rights and obligations under (or in respect of) the Loan Documents except as permitted hereby or thereby,

(viii) (x) terminate or otherwise cancel the Support Agreement or (y) amend or otherwise modify the terms of the Support Agreement in any manner that, in the case of this clause (y), adversely affects the rights of such Lender,

(ix) amend or otherwise modify this Section 7.04; or

(x) change Section 2.21 or Section 2.22 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender.

Notwithstanding anything to the contrary herein, (i) no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the consent of such Defaulting Lender; (ii) no amendment, waiver or consent shall, unless in writing and signed by the LC Issuing Banks in addition to the Lenders required above, affect the rights or duties of the LC Issuing Banks under this Agreement or any Letter of Credit issued or to be issued by it; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Swingline Banks in addition to the Lenders required above, affect the rights or duties of the Swingline Banks under this Agreement; (iv) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (v) each Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto.

(b) In connection with any proposed amendment, change or waiver (a "***Proposed Change***") requiring the consent of all Lenders or all affected Lenders, if the consent of the Required Lenders to such Proposed Change is obtained, but the consent to such Proposed Change of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained as described in paragraph (a) above being referred to as a "***Non-Consenting Lender***"), then, so long as the Lender that is acting as Administrative Agent is not a Non-Consenting Lender, the Borrower may, at its sole expense and effort, upon notice to such Non-Consenting Lender and the Administrative Agent, require such Non-Consenting Lender to assign and delegate (or to execute a Power of Attorney to the Administrative Agent for the Administrative Agent to assign and delegate on such Non-Consenting Lender's behalf) without recourse (in accordance with and subject to the restrictions contained in Section 7.05), all its interests, rights and obligations under this Agreement to an Eligible Assignee that shall assume such obligations; provided that (i) such Non-Consenting Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in Letter of Credit payments that have not been reimbursed, accrued interest thereon, accrued fees and all other amounts payable to it hereunder from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (ii) the Borrower or such assignee shall have paid to the Administrative Agent the processing and recordation fee specified in Section 7.05(b)(iv). Notwithstanding anything to the contrary in this Agreement, the return of the Note held by any such Non-Consenting Lender is not a condition to the effectiveness of any assignment pursuant to this Section 7.04(b).

(c) Notwithstanding anything to the contrary in this Section 7.04, if the Administrative Agent and the Borrower shall have jointly identified (each in its sole discretion) an obvious error or omission of a technical or immaterial nature, in each case, in any provision of the Loan Documents (other than the Support Agreement), then the Administrative Agent and the Borrower shall be permitted to amend such provision and such amendment shall become effective without any further action or consent of any other party to any Loan Document if the same is not objected to in writing by the Required Lenders within five Business Days following the posting of such amendment to the Lenders.

Section 7.05 Benefit of Agreement.

(a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that, except as permitted by Section 5.02(b), the Borrower may not assign or transfer any of its interests and obligations without prior written consent of each of the Lenders; and provided further that the rights of each Lender to transfer, assign or grant participations in its rights and/or obligations hereunder shall be limited as set forth in this Section 7.05.

(b) Each Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Loans, its Notes, and its Commitment); provided that:

(i) each such assignment shall be to an Eligible Assignee;

(ii) except in the case of an assignment to another Lender, an Affiliate of an existing Lender or any Approved Fund or an assignment of all of a Lender's rights and obligations under this Agreement, any such partial assignment shall be in an amount at least equal to $10,000,000 (or, if less, the remaining amount of the Commitment being assigned by such Lender) or an integral multiple of $1,000,000 in excess thereof;

(iii) each such assignment by a Lender of any portion of its Loans shall be accompanied by an assignment of a constant, and not varying, percentage of all of such Loans, and each such assignment by a Lender of any portion of its Loans shall be accompanied by an assignment of a constant, and not varying, percentage of all of such Lender's Loans;

(iv) the parties to such assignment shall execute and deliver to the Administrative Agent for its acceptance an Assignment and Acceptance, together with any Note subject to such assignment and a processing fee of $3,500;

(v) except for any (A) Swingline Bank which is a Lender being replaced pursuant to Section 2.23(b), and (B) any LC Issuing Bank which (1) is a Lender being replaced pursuant to Section 2.23(b) and (2) has no Letters of Credit issued by it on such date of replacement, the consents of each LC Issuing Bank and Swingline Bank (such consent not to be unreasonably withheld or delayed) shall be required for any assignment; and

(vi) in connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the Pro Rata Share previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, each LC Issuing Bank, each Swingline Bank and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full Pro Rata Share and participations in Letters of Credit and Swingline Loans in accordance with its Pro Rata Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Upon execution, delivery, and acceptance of such Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of such assignment, have the obligations, rights, and benefits of a Lender hereunder and the assigning Lender shall, to the extent of such assignment, relinquish its rights and be released from its obligations under this Agreement; provided, that except to the extent otherwise

expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Upon the consummation of any assignment pursuant to this Section 7.05, the assignor, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, new Notes are issued to the assignor and the assignee. Each assignee shall deliver to the Borrower and the Administrative Agent certification as to an exemption from or reduction of withholding of Taxes in accordance with Section 2.17(g). To the extent that an assignment of all or any portion of a Lender's Commitment pursuant to this Section 7.05 would, at the time of such assignment, result in increased costs under Section 2.16 or 2.17 from those being charged by the respective assigning Lender prior to such assignment, then the Borrower shall not be obligated to pay such increased costs (although the Borrower shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective assignment).

(c) The Administrative Agent shall maintain at its address referred to in Section 7.01 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time (the "***Register***"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice. Any assignment of any Loan or other obligations shall be effective only upon an entry with respect thereto being made in the Register.

(d) Upon its receipt of an Assignment and Acceptance executed by the parties thereto, together with any Note subject to such assignment and payment of the processing fee, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the parties thereto.

(e) Each Lender may sell participations to one or more Persons (other than a natural Person, or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person, or the Borrower, or any of the Borrower's Affiliates or Subsidiaries, or any Defaulting Lender) (each a "***Participant***") in all or a portion of its rights, obligations or rights and obligations under this Agreement (including all or a portion of its Commitment or its Loans); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and (iii) the Borrower shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower hereunder owing to such Lender and to approve any amendment, modification, or waiver of any provision of this Agreement (other than amendments, modifications, or waivers decreasing the amount of principal of or the rate at which interest is payable on such Loans or Notes, extending any scheduled principal payment date or date fixed for the payment of interest on such Loans or Notes, or extending its Commitment). The Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.16 and 2.17 (subject to the requirements and limitations therein, including the requirements under Section 2.17(g) (it being understood that the documentation required under Section 2.17(g) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Section 2.23 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater payment under Section 2.13, 2.16 or 2.17, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in

Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "***Participant Register***"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.13, 2.16 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central banking authority for such Lender; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(h) Any Lender may furnish any information concerning the Borrower in the possession of such Lender from time to time to assignees and participants (including prospective assignees and Participants), subject, however, to the provisions of Section 7.06.

(i) Notwithstanding anything to the contrary contained in this Agreement, any Lender may exchange, continue or rollover all or a portion of its Loans in connection with any refinancing, extension, loan modification or similar transaction permitted by the terms of this Agreement, pursuant to a cashless settlement mechanism approved by the Borrower, the Administrative Agent and such Lender.

Section 7.06 Confidentiality. Each of the Administrative Agent, the Lenders, the Swingline Banks and the LC Issuing Banks agree to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed and required to keep such Information confidential and not to use such Information except in connection with the transactions contemplated by the Loan Documents, and it being further understood that each of the Administrative Agent, the Lenders, the Swingline Banks and the LC Issuing Banks will be responsible for any disclosure or use of such Information by its Affiliates and its employees, officers and directors in a manner not permitted by this Section); (b) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners); provided that except in connection with any routine bank examination of the Administrative Agent, such Lender, such Swingline Bank or such LC Issuing Bank, such Person or Related Party shall (to the extent permitted by any regulatory authority), at the expense of the Borrower,

provide the Borrower and the Parent with prompt (and to the extent practicable, prior) notice of such requested disclosure so that the Borrower or Parent may seek a protective order or other appropriate remedy and, in any event, such Person or Related Party shall provide only that portion of such Information that in the reasonable judgment of such Person or Related Party, as the case may be, is relevant, advisable or legally required to be provided, to the extent practicable; (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process; provided that the Administrative Agent, such Lender, such Swingline Bank or such LC Issuing Bank, as applicable, shall (to the extent legally permitted to do so), at the expense of the Borrower, provide the Borrower and the Parent with prompt (and to the extent practicable, prior) notice of such requested disclosure so that the Borrower or Parent may seek a protective order or other appropriate remedy and, in any event, the Administrative Agent, such Lender, such LC Issuing Bank or such LC Issuing Bank shall provide only that portion of such Information that in the reasonable judgment of such Person is relevant, advisable or legally required to be provided, to the extent practicable; (d) to any other party hereto; (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder and, in any event, only with respect to that portion of Information that is relevant, advisable or legally required in such Person's reasonable judgment to such exercise of remedies, action or proceeding or enforcement of rights; (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights and obligations under this Agreement; (g) on a confidential basis to (i) any rating agency in connection with rating the Borrower or this Agreement or (ii) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to this Agreement; (h) with the consent of the Borrower; or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section, or (y) becomes available to the Administrative Agent, any Lender, any LC Issuing Bank or any of their respective Affiliates on a nonconfidential basis from a source other than any Borrower Party (as defined below) that is not known by the Administrative Agent, such Lender, such Swingline Bank, such LC Issuing Bank or such Affiliate to be prohibited from disclosing such information to it by a contractual, legal or fiduciary obligation to the Borrower, the Parent or any of their respective Subsidiaries or Affiliates. Notwithstanding the foregoing, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry and service providers to the Administrative Agent or any Lender in connection with the administration of this Agreement, the other Loan Documents, and the Commitments.

For purposes of this Section, "***Information***" means all information received from any Borrower Party relating to the Borrower, the Parent or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or any LC Issuing Bank on a nonconfidential basis prior to disclosure by any Borrower Party. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. For purposes of this Section, "***Borrower Party***" means the Borrower, the Parent or any Subsidiary, Affiliate, attorney, accountant, auditor, advisor or agent of the Borrower or the Parent.

Section 7.07 Representation by Lender. Each Lender hereby represents that it is a commercial lender or financial institution which makes loans in the ordinary course of its business and that it will make its Loans hereunder for its own account in the ordinary course of such business; provided that, subject to Sections 2.23 and 7.05, the disposition of the Loans owed to such Lender and the Notes held by such Lender shall at all times be within its exclusive control.

Section 7.08 Governing Law. This Agreement and the Notes shall be construed in accordance with and governed by the law of the State of New York.

Section 7.09 Consent to Jurisdiction; Waiver of Jury Trial.

(a) Submission to Jurisdiction. Each of the parties hereto irrevocably and unconditionally agrees that any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against any other party hereto or any Related Party of such Person in any way relating to this Agreement or any other Loan Document or the transactions relating hereto or thereto, shall be brought and maintained in the courts of the State of New York sitting in New York County, and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the exclusive jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by applicable law, in such federal court.

(b) Waiver of Venue. Each party hereto irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (a) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Service of Process. Each party hereto irrevocably consents to service of process effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the address provided for notices in Section 7.01. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

(d) Waiver of Jury Trial. THE ADMINISTRATIVE AGENT, THE LENDERS, THE SWINGLINE BANKS, THE LC ISSUING BANKS AND THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT AND ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF THE ADMINISTRATIVE AGENT, THE LENDERS, THE SWINGLINE BANKS, THE LC ISSUING BANKS, THE BORROWER OR THE PARENT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE ADMINISTRATIVE AGENT, THE LENDERS, THE SWINGLINE BANKS AND THE LC ISSUING BANKS ENTERING INTO THIS AGREEMENT.

Section 7.10 Interpretation. No provision of this Agreement or any other Loan Document shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or dictated such provision.

Section 7.11 Counterparts; Effectiveness; Electronic Execution.

(a) Counterparts; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement.

(b) Electronic Execution of Assignments. The words “execution”, “signed”, “signature” and words of like import in any Assignment and Acceptance shall be deemed to include electronic signatures

or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

Section 7.12 Entire Agreement. This Agreement and the other Loan Documents embody the entire agreement and understanding between the parties hereto and thereto in respect of the transactions contemplated hereby and thereby and supersede all prior negotiations, understandings and agreements between such parties or any of them in respect of such transactions.

Section 7.13 USA PATRIOT Act. The Administrative Agent and each Lender hereby notifies the Borrower that pursuant to the requirements of the Act or any other Anti-Money Laundering Laws, it is required to obtain, verify and record information that identifies the Borrower and the Parent, which information includes the name, address, and taxpayer identification number of the Borrower, the Parent and their Subsidiaries, and other information that will allow such Lender to identify the Borrower, the Parent and their Subsidiaries in accordance with the Act or such Anti-Money Laundering Laws.

Section 7.14 Reaffirmation. This Agreement constitutes an amendment and restatement of the Existing Credit Agreement. Each of the parties hereto acknowledges and agrees that the Obligations represent, among other things, the amendment, restatement, renewal, extension, consolidation and modification of the Obligations (as defined in the Existing Credit Agreement) of the Borrower under the Existing Credit Agreement. Each of the parties hereto further acknowledges and agrees that this Agreement supersedes and replaces the Existing Credit Agreement but does not extinguish the Obligations (as defined in the Existing Credit Agreement) thereunder and that by entering into and performing its Obligations hereunder, this transaction shall not constitute a novation.

Section 7.15 Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any Resolution Authority.

Section 7.16 Lender Matters.

(a) Each Lender represents and warrants, as of the date such Person became a Lender party hereto, to, and covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, the Parent, or any of their Subsidiaries or Affiliates, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Benefit Plans in connection with the Loans, the Letters of Credit or the Commitments;

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement;

(iii) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement; or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Joint Lead Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, the Parent, or any of their Subsidiaries or Affiliates that:

(i) none of the Administrative Agent or the Joint Lead Arrangers or any of their respective Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto);

(ii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is independent (within the meaning of 29 CFR § 2510.3-21) and is a bank, an insurance carrier, an investment adviser, a broker-dealer or other person that holds, or has under management or control, total assets of at least $50 million, in each case as described in 29 CFR § 2510.3-21(c)(1)(i)(A)-(E);

(iii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies (including in respect of the Obligations);

(iv) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is a fiduciary under ERISA or the Code, or both, with respect to the Loans, the Letters of Credit, the Commitments and this Agreement and is responsible for exercising independent judgment in evaluating the transactions hereunder; and

(v) no fee or other compensation is being paid directly to the Administrative Agent or any Joint Lead Arranger or any their respective affiliates for investment advice (as opposed to other services) in connection with the Loans, the Letters of Credit, the Commitments or this Agreement.

(c) The Administrative Agent and the Joint Lead Arrangers hereby inform the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Loans, the Letters of Credit, the Commitments and this Agreement, (ii) may recognize a gain if it extended the Loans, the Letters of Credit or the Commitments for an amount less than the amount being paid for an interest in the Loans, the Letters of Credit or the Commitments by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

Section 7.17 No Fiduciary or Advisory Relationship Established By Loan Documents. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges the Parent's and their Affiliates' understanding, that: (a) (i) no fiduciary, advisory or agency relationship between the Borrower, the Parent and their Subsidiaries and Affiliates and any Joint Lead Arranger, the Administrative Agent, any LC Issuing Bank, any Swingline Bank or any Lender is intended to be or has been created in respect of the transactions contemplated hereby or by the other Loan Documents, irrespective of whether any Joint Lead Arranger, the Administrative Agent, any LC Issuing Bank, any Swingline Bank or any Lender has advised or is advising the Borrower, the Parent or any of their Affiliates or Subsidiaries on other matters, (ii) the arranging and other services regarding this Agreement provided by the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swingline Banks and the Lenders are arm's-length commercial transactions between the Borrower, the Parent and their Subsidiaries and Affiliates, on the one hand, and the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swingline

Banks and the Lenders, on the other hand, (iii) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent that it has deemed appropriate and (iv) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; and (b) (i) the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swingline Banks and the Lenders each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower, the Parent or any of their Subsidiaries or Affiliates, or any other Person; (ii) none of the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swingline Banks and the Lenders has any obligation to the Borrower, the Parent or any of their Subsidiaries or Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swingline Banks and the Lenders and their respective Affiliates may be engaged, for their own accounts or the accounts of customers, in a broad range of transactions that involve interests that differ from those of the Borrower, the Parent, and their Subsidiaries and Affiliates, and none of the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swingline Banks and the Lenders has any obligation to disclose any of such interests to the Borrower, the Parent or their Subsidiaries or Affiliates. To the fullest extent permitted by applicable law, the Borrower hereby waives and releases any claims that it may have against any of the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swingline Banks and the Lenders with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 7.18 Acknowledgment Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for hedging agreements or any other agreement or instrument that is a QFC (such support "***QFC Credit Support***" and each such QFC a "***Supported QFC***"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "***U.S. Special Resolution Regimes***") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

In the event a Covered Entity that is party to a Supported QFC (each, a "***Covered Party***") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

ARTICLE VIII
AGENCY PROVISIONS

Section 8.01 Appointment. Each Lender, Swingline Bank and LC Issuing Bank hereby designates and appoints Wells Fargo, as Administrative Agent of such Person to act as specified herein and the other Loan Documents, and each such Lender, Swingline Bank and LC Issuing Bank hereby authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated by the terms hereof and of the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere herein and in the other Loan Documents, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein and therein, or any fiduciary relationship with any Lender, Swingline Bank or LC Issuing Bank and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any of the other Loan Documents, or shall otherwise exist against the Administrative Agent. The provisions of this Section are solely for the benefit of the Administrative Agent, the Lenders, the Swingline Banks and the LC Issuing Banks and neither the Borrower nor the Parent shall have any rights as a third party beneficiary of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, the Administrative Agent shall act solely as Administrative Agent of the Lenders, the Swingline Banks and the LC Issuing Banks and, does not assume and shall not be deemed to have assumed any obligation or relationship of agency or trust with or for the Borrower, the Parent or any of their respective Affiliates.

Section 8.02 Delegation of Duties. The Administrative Agent may execute any of its duties hereunder or under the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 8.03 Exculpatory Provisions. The Administrative Agent and its officers, directors, employees, agents, attorneys-in-fact or affiliates shall not be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection herewith or in connection with any of the other Loan Documents (except for its or such Person's own gross negligence, bad faith or willful misconduct), or (ii) responsible in any manner to any of the Lenders, the Swingline Banks or the LC Issuing Banks for any recitals, statements, representations or warranties made by the Borrower or the Parent contained herein or in any of the other Loan Documents or in any certificate, report, document, financial statement or other written or oral statement referred to or provided for in, or received by the Administrative Agent under or in connection herewith or in connection with the other Loan Documents, or enforceability or sufficiency therefor of any of the other Loan Documents, or for any failure of the Borrower or the Parent to perform its obligations hereunder or thereunder. The Administrative Agent shall not be responsible to any Lender, Swingline Bank or LC Issuing Bank for the effectiveness, genuineness, validity, enforceability, collectability or sufficiency of this Agreement, or any of the other Loan Documents or for any representations, warranties, recitals or statements made herein or therein or made by the Borrower or the Parent in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by the Administrative Agent to the Lenders, the Swingline Banks or the LC Issuing Banks or by or on behalf of the Borrower or the Parent to the Administrative Agent, any Lender, any Swingline Bank or any LC Issuing Bank or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default or Event of Default or to inspect the properties, books or records of the Borrower, the Parent or any of their respective Affiliates.

Section 8.04 Reliance on Communications. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, facsimile, statement, order or other document or conversation believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Borrower, independent accountants and other experts selected by the Administrative Agent with reasonable care). The Administrative Agent may deem and treat the Lenders, the Swingline Banks and the LC Issuing Banks as the owner of their respective interests hereunder for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent in accordance with Section 7.05. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or under any of the other Loan Documents unless it shall first receive such advice or concurrence of the Required Lenders (or such other number or percentage of the Lenders, Swingline Banks or LC Issuing Banks as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 6.01, 6.02 and 7.04) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders, the Swingline Banks and/or the LC Issuing Banks, as applicable, against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or under any of the other Loan Documents in accordance with a request of the Required Lenders (or to the extent specifically provided in Section 7.04, all the Lenders, all affected Lenders, all Swingline Banks or all LC Issuing Banks, as applicable) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders, the Swingline Banks and the LC Issuing Banks, as applicable (including their respective successors and assigns).

Section 8.05 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender, a Swingline Bank, an LC Issuing Bank, the Borrower or the Parent referring to the Loan Document, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders, the Swingline Banks and the LC Issuing Banks. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders.

Section 8.06 Non-Reliance on Administrative Agent and Other Lenders. Each Lender, Swingline Bank and LC Issuing Bank expressly acknowledges that each of the Administrative Agent and its officers, directors, employees, agents, attorneys-in-fact or Affiliates has not made any representations or warranties to it and that no act by the Administrative Agent or any Affiliate thereof hereinafter taken, including any review of the affairs of the Borrower, the Parent or any of their respective Affiliates, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender, Swingline Bank or LC Issuing Bank. Each Lender, Swingline Bank and LC Issuing Bank represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, Swingline Bank or LC Issuing Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower, the Parent or their respective Affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender, Swingline Bank and LC Issuing Bank also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, Swingline Bank or LC Issuing Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower, the Parent and their respective Affiliates. Except for notices, reports and other documents

expressly required to be furnished to the Lenders, the Swingline Banks and the LC Issuing Banks by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender, Swingline Bank or LC Issuing Bank with any credit or other information concerning the business, operations, assets, property, financial or other conditions, prospects or creditworthiness of the Borrower, the Parent or their respective Affiliates which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

Section 8.07 Administrative Agent in its Individual Capacity. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower, the Parent, their respective Subsidiaries or their respective Affiliates as though the Administrative Agent were not the Administrative Agent hereunder. With respect to the Loans and all obligations of the Borrower and the Parent hereunder and under the other Loan Documents, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender, any Swingline Bank and any LC Issuing Bank, in such capacity, and may exercise the same as though it were not the Administrative Agent, and the terms "Lender", "Lenders", "Swingline Bank", "Swingline Banks", "LC Issuing Bank" and "LC Issuing Banks" shall include the Administrative Agent in its individual capacity, as applicable.

Section 8.08 Successor Agent.

(a) The Administrative Agent may resign at any time by giving written notice thereof to the Lenders, the Swingline Banks, the LC Issuing Banks and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent. Such successor shall be subject to the approval of the Borrower, such approval not to be unreasonably withheld or delayed; provided that such approval shall not be necessary if at the time such successor is appointed there shall have occurred and be continuing an Event of Default described in Section 6.01(a), 6.01(g) or 6.01(h). If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation (or such earlier day as shall be agreed by the Required Lenders) (the "Resignation Effective Date"), then the retiring Administrative Agent may, (but shall not be obligated to), on behalf of the Lenders, the Swingline Banks and the LC Issuing Banks, appoint a successor Administrative Agent, which shall be a Lender or shall be another commercial bank or trust company organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Such successor shall be subject to the approval of the Borrower, such approval not to be unreasonably withheld or delayed; provided that such approval shall not be necessary if at the time such successor is appointed there shall have occurred and be continuing an Event of Default described in Section 6.01(a), 6.01(g) or 6.01(h). Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent (x) is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by applicable law, by notice in writing to the Borrower and such Person, or (y) no longer has any Commitment as a Lender, the Borrower may, to the extent permitted by applicable law, by notice in writing to the Lenders and such Person, remove such Person as Administrative Agent. In connection with such removal, the Required Lenders shall appoint a successor Administrative Agent, subject to the approval of the Borrower, such approval not to be unreasonably withheld or delayed; provided that such approval shall not be necessary if at the time such successor is appointed there shall have occurred and be continuing an Event of Default described in Section 6.01(a), 6.01(g) or 6.01(h). If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after its removal (or such earlier day as shall be agreed by the Required Lenders (in the case of a removal pursuant to clause (x) of this Section 8.08(b)) or the Borrower (in the case of a removal pursuant to clause (y) of this Section 8.08(b))) (the "Removal Effective Date"), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent, shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal as Administrative Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. In the event that no successor has been appointed on the Resignation Effective Date or Removal Effective Date, as applicable, any Cash Collateral held by the retiring Administrative Agent shall continue to be held by such Person, for the benefit of the Lenders, the Swingline Banks and the LC Issuing Banks, as applicable, until a successor Administrative Agent has been appointed hereunder.

(d) Any resignation by or removal of Wells Fargo as Administrative Agent pursuant to this Section shall also constitute its resignation as an LC Issuing Bank and Swingline Bank. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, (i) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of Wells Fargo as the retiring LC Issuing Bank and Swingline Bank, (ii) the retiring LC Issuing Bank and Swingline Bank shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents, and (iii) the Borrower shall (at the expense of (x) the retiring Administrative Agent, in the case of a resignation by the Administrative Agent and (y) the Borrower in the case of a removal of the Administrative Agent) (A) use commercially reasonable efforts to cause an LC Issuing Bank to issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or (B) make other arrangements satisfactory to the retiring LC Issuing Bank to cause the obligations of the retiring LC Issuing Bank with respect to such Letters of Credit to be Cash Collateralized.

Section 8.09 Other Agents. No Joint Lead Arranger nor any Lender identified as an "Agent" (other than the Administrative Agent) shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of any such Person which is also a Lender, Swingline Bank or LC Issuing Bank, those applicable to all Lenders, Swingline Banks or LC Issuing Banks, as applicable, as such. Without limiting the foregoing, none of the Lenders so identified shall have or be deemed to have any fiduciary relationship with any other Lender, Swingline Bank or LC Issuing Bank. Each Lender, Swingline Bank and LC Issuing Bank acknowledges that it has not relied, and will not rely, on any of the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

Section 8.10 Erroneous Payments.

(a) Each Lender, each Issuing Lender, and any other party hereto hereby severally agrees that if (i) the Administrative Agent notifies (which such notice shall be conclusive absent manifest error) such Lender or Issuing Lender or any other Person that has received funds from the Administrative Agent or any of its Affiliates, either for its own account or on behalf of a Lender or Issuing Lender (each such recipient, a "***Payment Recipient***") that the Administrative Agent has determined in its sole discretion that any funds received by such Payment Recipient were erroneously transmitted to, or otherwise erroneously or mistakenly received by, such Payment Recipient (whether or not known to such Payment Recipient) or (ii) any Payment Recipient receives any payment from the Administrative Agent (or any of its Affiliates) (x) that is in a different amount than, or on a different date from, that specified in a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates) with respect to such payment, prepayment or repayment, as applicable, (y) that was not preceded or accompanied by a notice

of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates) with respect to such payment, prepayment or repayment, as applicable, or (z) that such Payment Recipient otherwise becomes aware was transmitted or received in error or by mistake (in whole or in part) then, in each case, an error in payment shall be presumed to have been made (any such amounts specified in clauses (i) or (ii) of this Section 8.10(a), whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise; individually and collectively, an "***Erroneous Payment***"), then, in each case, such Payment Recipient is deemed to have knowledge of such error at the time of its receipt of such Erroneous Payment; provided that nothing in this Section shall require the Administrative Agent to provide any of the notices specified in clauses (i) or (ii) above. Each Payment Recipient agrees that it shall not assert any right or claim to any Erroneous Payment, and hereby waives any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Erroneous Payments, including without limitation waiver of any defense based on "discharge for value" or any similar doctrine.

(b) Without limiting the immediately preceding clause (a), each Payment Recipient agrees that, in the case of clause (a)(ii) above, it shall promptly notify the Administrative Agent in writing of such occurrence.

(c) In the case of either clause (a)(i) or (a)(ii) above, such Erroneous Payment shall at all times remain the property of the Administrative Agent and shall be segregated by the Payment Recipient and held in trust for the benefit of the Administrative Agent, and upon demand from the Administrative Agent such Payment Recipient shall (or, shall cause any Person who received any portion of an Erroneous Payment on its behalf to), promptly, but in all events no later than one Business Day thereafter, return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made in same day funds and in the currency so received, together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Payment Recipient to the date such amount is repaid to the Administrative Agent at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect.

(d) In the event that an Erroneous Payment (or portion thereof) is not recovered by the Administrative Agent for any reason, after demand therefor by the Administrative Agent in accordance with immediately preceding clause (c), from any Lender that is a Payment Recipient or an Affiliate of a Payment Recipient (such unrecovered amount as to such Lender, an "***Erroneous Payment Return Deficiency***"), then at the sole discretion of the Administrative Agent and upon the Administrative Agent's written notice to such Lender (i) such Lender shall be deemed to have made a cashless assignment of the full face amount of the portion of its Loans (but not its Commitments) of the relevant Type with respect to which such Erroneous Payment was made (the "***Erroneous Payment Impacted Class***") to the Administrative Agent or, at the option of the Administrative Agent, the Administrative Agent's applicable lending affiliate in an amount that is equal to the Erroneous Payment Return Deficiency (or such lesser amount as the Administrative Agent may specify) (such assignment of the Loans (but not Commitments) of the Erroneous Payment Impacted Class, the "***Erroneous Payment Deficiency Assignment***") plus any accrued and unpaid interest on such assigned amount, without further consent or approval of any party hereto and without any payment by the Administrative Agent or its applicable lending affiliate as the assignee of such Erroneous Payment Deficiency Assignment. The parties hereto acknowledge and agree that (1) any assignment contemplated in this clause (d) shall be made without any requirement for any payment or other consideration paid by the applicable assignee or received by the assignor, (2) the provisions of this clause (d) shall govern in the event of any conflict with the terms and conditions of Section 7.05 and (3) the Administrative Agent may reflect such assignments in the Register without further consent or action by any other Person.

(e) Each party hereto hereby agrees that (x) in the event an Erroneous Payment (or portion thereof) is not recovered from any Payment Recipient that has received such Erroneous Payment (or portion thereof) for any reason, the Administrative Agent (1) shall be subrogated to all the rights of such Payment Recipient with respect to such amount and (2) is authorized to set off, net and apply any and all amounts at any time owing to such Payment Recipient under any Loan Document, or otherwise payable or distributable by the Administrative Agent to such Payment Recipient from any source, against any amount due to the Administrative Agent under this Section 8.10 or under the indemnification provisions of this Agreement, (y) the receipt of an Erroneous Payment by a Payment Recipient shall not for the purpose of this Agreement be treated as a payment, prepayment, repayment, discharge or other satisfaction of any Obligations owed by the Borrower, except, in each case, to the extent such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Administrative Agent from the Borrower for the purpose of making a payment on the Obligations and (z) to the extent that an Erroneous Payment was in any way or at any time credited as payment or satisfaction of any of the Obligations, the Obligations or any part thereof that were so credited, and all rights of the Payment Recipient, as the case may be, shall be reinstated and continue in full force and effect as if such payment or satisfaction had never been received; provided that this Section 8.10(e) shall not be interpreted to increase (or accelerate the due date for), or have the effect of increasing (or accelerating the due date for), the Obligations of the Borrower relative to the amount (and/or timing for payment) of the Obligations that would have been payable had such Erroneous Payment not been made by the Administrative Agent; provided, further, that for the avoidance of doubt, immediately preceding clauses (x), (y) and (z) shall not apply to the extent any such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Administrative Agent from the Borrower for the purpose of making a payment on the Obligations.

(f) Each party's obligations under this Section 8.10 shall survive the resignation or replacement of the Administrative Agent or any transfer of right or obligations by, or the replacement of, a Lender, the termination of the Commitments or the repayment, satisfaction or discharge of all Obligations (or any portion thereof) under any Loan Document.

(g) Nothing in this Section 8.10 will constitute a waiver or release of any claim of the Administrative Agent hereunder arising from any Payment Recipient's receipt of an Erroneous Payment.

ARTICLE IX
ACKNOWLEDGEMENT

Section 9.01 Parent Acknowledgment. The Parent hereby acknowledges that (a) Obligations owing by the Borrower under this Agreement will constitute "Debt" under the Support Agreement and (b) this Agreement contains representations and warranties and covenants that relate to the Parent and that a breach of any of those representations or warranties, or a failure by the Borrower to comply with such covenants, could result in an Event of Default under this Agreement. Notwithstanding the acknowledgement contained in this Section 9.01, each of the Administrative Agent, each LC Issuing Bank, each Swingline Bank and each Lender acknowledges and agrees that it will have no recourse against the Parent under this Agreement, and the rights and remedies of the Administrative Agent, each LC Issuing Bank, each Swingline Bank and each Lender against Parent shall be solely pursuant to and in accordance with the Support Agreement.

[*Remainder of page intentionally left blank; signature pages follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BORROWER:

AMERICAN WATER CAPITAL CORP.

By: /s/James S. Merante
Name: James S. Merante
Title: Vice President and Treasurer

Address for Notices:

1 Water Street
Camden, NJ 08102-1658
Attention: James S. Merante
e-mail: james.merante@amwater.com
website: www.amwater.com

PARENT:

Acknowledged and agreed solely as to Section 9.01 of the Credit Agreement.

AMERICAN WATER WORKS COMPANY, INC.

By: /s/James S. Merante
Name: James S. Merante
Title: Vice President and Treasurer

Address for Notices:

1 Water Street
Camden, NJ 08102-1658
Attention: James S. Merante
e-mail: james.merante@amwater.com

ADMINISTRATIVE AGENT
AND LENDERS: WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, an LC Issuing Bank, a Swingline Bank and a Lender

By: /s/Gregory R. Gredvig
Name: Gregory R. Gredvig
Title: Director

Address for Notices:

For Loan Operations Notices:

MAC D1109-019
1525 West W.T. Harris Blvd.
Charlotte, NC 28262
Attention: Syndication Agency Services
Facsimile No.: (704) 715-0017
Email: agencyservices.requests@wellsfargo.com

For Credit Notices:

MAC: N9305-156
90 S. 7th Street, 15th Floor
Minneapolis, MN 55402
Attention: Greg Gredvig
Facsimile No.: (612) 667-4832
Email: gregory.r.gredvig@wellsfargo.com

JPMORGAN CHASE BANK, N.A., as an LC Issuing Bank, and a Lender

By: /s/Nancy R. Barwig
Name: Nancy R. Barwig
Title: Executive Director

Address for Notices:

For Loan Operation Notices:

10 South Dearborn, Floor L2
Chicago, IL 60603-2300
Attention: Non-Agented Servicing Team
Facsimile No.: (214) 307-6874
Email:cls.chicago.non.agented.servicing@jomchase.com

For Credit Notices:

8181 Communications Parkway
Plano, TX 75024
Attention: Nancy R. Barwig
Email: nancy.r.barwig@jpmorgan.com

BANK OF AMERICA, N.A., as a Lender

By: /s/Dilcia P. Hill
Name: Dilcia P. Hill
Title: Senior Vice President

Address for Notices:

194 Wood Avenue South
Mail Code: NJ7-550-04-02
Iselin, NJ 08830
Attention: Dilcia P. Hill
Email: dilcia.p.hill@bofa.com

MIZUHO BANK, LTD., as an LC Issuing Bank and a Lender

By: /s/Edward Sacks
Name: Edward Sacks
Title: Authorized Signatory

Address for Notices:

For Loan Operations Notices:

1800 Plaza Ten Harborside Financial Ctr.
Jersey City, NJ 07311
Attention: Ankit Anand
Facsimile No.: 201-626-9935
Email: LAU_USCorp3@mizuhogroup.com

PNC BANK, NATIONAL ASSOCIATION, as an LC Issuing Bank and a Lender

By: /s/Meredith L. Jermann
Name: Meredith L. Jermann
Title: Vice President

Address for Notices:

For Loan Operation Notices:

Attention: Dana Brackins
Facsimile No.: (877) 733-1196
Email: Dana.Brackins@pnc.com

For Credit Notices:

1600 Market St
F2-F070-22-4
Philadelphia, PA 19103
Attention: Denise DiSimone
Email: Denise.Disimone@pnc.com

ROYAL BANK OF CANADA, as a Lender

By: /s/Martina Wellik
Name: Martina Wellik
Title: Authorized Signatory

Address for Notices:
Royal Bank of Canada
200 Vesey Street
New York, NY 10281
Attention: Global Loans Administration
Email:

For Loan Operation Notices:
Attention: John Fernandes
Facsimile No.: (212) 428-2372
Email: rbcnewyorkgla3@rbc.com

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/James P. O'Shaughnessy
Name: James P. O'Shaughnessy
Title: Vice President

Address for Notices:

1095 Avenue of the Americas
15th Floor
New York, NY 10036
Attention: Ann Marie Griffiths
Email: annmarie.gordon@usbank.com

TD BANK, N.A., as a Lender
By: /s/Steve Levi
Name: Steve Levi
Title: Senior Vice President

Address for Notices:
TD North Tower, 26th Floor, 77 King St. West
Toronto, ON M5K 2A1, Canada
Attention: Jolanta Sedzik
Facsimile No.: 705-797-6913
Email: TDBNANotices@tdsecurities.com
Paul.Yoon@tdsecurities.com

TRUIST BANK, as a Lender

By: /s/Justin Lien
Name: Justin Lien
Title: Director

Address for Notices:

For Loan Operation Notices:
101 S Stratford Rd
Winston Salem, NC 27104
Attention: Shana Pask
Facsimile No.:
Email: CapitalMarkets-W-S@truist.com

For Credit Notices:

2001 Ross Ave, Suite 2700
Dallas, TX 75201
Attention: Justin Lien
Email: Justin.Li@truist.com

REGIONS BANK, as a Lender

By: /s/Daniel Capps
Name: Daniel Capps
Title: Director

Address for Notices:

615 S. College Street, Suite 400
Charlotte, NC 28202
Attention: Daniel Capps
Facsimile No.: (704) 338-1034
Email: Daniel.Capps@Regions.com

THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ David Dewar
Name: David Dewar
Title: Director

Address for Notices:

250 Veset Street, 23rd floor
New York, New York 10281
Attention: Anne Vincelli
Email: anne.vincelli@scotiabank.com

THE HUNTINGTON NATIONAL BANK, as a Lender

By: /s/Nolan Woodbury
Name: Nolan Woodbury
Title: Assistant Vice President

Address for Notices:

41 S High Street,, 5th Floor
Columbus, OH 43287
Attention: Nolan Woodbury
Email: nolan.woodbury@huntington.com

THE BANK OF NEW YORK MELLON, as a Lender

By: /s/ Molly H. Ross
Name: Molly H. Ross
Title: Vice President

Address for Notices:

500 Grant Street, 36th Floor
Pittsburgh, PA 15258
Attention: Molly H. Ross
Email: molly.ross@bnymellon.com

THE NORTHERN TRUST COMPANY, as a Lender

By: /s/Andrew D. Holtz
Name: Andrew D. Holtz
Title: Senior Vice President

Address for Notices:

The National Loan Servicing
Loan Processors
333 S. Wabash, WB-31
Chicago, IL 60604
Facsimile No: (312) 630.1566

SCHEDULE I

LENDERS AND COMMITMENTS

LENDER	COMMITMENT	PRO RATA PERCENTAGE
Wells Fargo Bank, National Association	$246,000,000.00	8.945454545%
JPMorgan Chase Bank, N.A.	$246,000,000.00	8.945454545%
Bank of America, N.A.	$246,000,000.00	8.945454545%
Mizuho Bank, Ltd.	$246,000,000.00	8.945454545%
PNC Bank, National Association	$246,000,000.00	8.945454545%
Royal Bank of Canada	$246,000,000.00	8.945454545%
U.S. Bank National Association	$246,000,000.00	8.945454545%
TD Bank, N.A.	$202,000,000.00	7.345454545%
Truist Bank	$202,000,000.00	7.345454545%
Regions Bank	$167,000,000.00	6.072727273%
The Bank of Nova Scotia	$167,000,000.00	6.072727273%
The Huntington National Bank	$140,000,000.00	5.090909091%
The Bank of New York Mellon	$75,000,000.00	2.727272727%
The Northern Trust Company	$75,000,000.00	2.727272727%
AGGREGATE COMMITMENT	$2,750,000,000.00	100.000000000%

SCHEDULE II

SIGNIFICANT SUBSIDIARIES

1. New Jersey-American Water Company, Inc.
2. Pennsylvania-American Water Company
3. Missouri-American Water Company
4. American Water Capital Corp.
5. American Water Enterprises, LLC

SCHEDULE 2.03

SWINGLINE BANKS

SWINGLINE BANKS

Wells Fargo Bank, National Association

SCHEDULE 2.04

LC ISSUING BANKS AND LC COMMITMENTS

LC ISSUING BANK	LC COMMITMENT
Wells Fargo Bank, National Association	$21,428,571.43
JPMorgan Chase Bank, N.A.	$21,428,571.43
Bank of America, N.A.	$21,428,571.43
Mizuho Bank, Ltd.	$21,428,571.43
PNC Bank, National Association	$21,428,571.43
U.S. Bank National Association	$21,428,571.43
Royal Bank of Canada	$21,428,571.42
AGGREGATE LC COMMITMENT	$150,000,000.00

SCHEDULE 2.04(K)

EXISTING LETTERS OF CREDIT

[**Delivered separately to the Lenders**]

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, John C. Griffith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2022

By: /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)
October 31, 2022

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John C. Griffith, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
October 31, 2022

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of July 21, 2022
Common Stock, par value $0.01 per share	**181,786,473**

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* * *

Throughout this Quarterly Report on Form 10-Q ("Form 10-Q"), unless the context otherwise requires, references to the "Company" and "American Water" mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the "parent company" mean American Water Works Company, Inc., without its subsidiaries.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company's future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company's growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company's California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company's ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company's ability to execute its current and long-term business, operational and capital expenditures strategies; the Company's ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company's stated environmental and sustainability goals, including its greenhouse gas emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the COVID-19 pandemic; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company's actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors;
- changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;

- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
  - acquiring, closing and successfully integrating regulated operations and market-based businesses;
  - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts with the U.S. government; and
  - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS") and its New York subsidiary, including:
  - the Company's ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company from time to time under the seller promissory note when due; and
  - the ability of the Company to redeploy successfully and timely the net proceeds of these transactions into the Company's Regulated Businesses (as defined herein);
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs, and (iii) the Company's ability to utilize its state income tax net operating loss carryforwards;
- migration of customers into or out of the Company's service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company's goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract qualified employees;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	June 30, 2022	December 31, 2021
ASSETS		
Property, plant and equipment	$ 28,531	$ 27,413
Accumulated depreciation	(6,429)	(6,329)
Property, plant and equipment, net	22,102	21,084
Current assets:		
Cash and cash equivalents	71	116
Restricted funds	26	20
Accounts receivable, net of allowance for uncollectible accounts of $67 and $75, respectively	383	271
Unbilled revenues	284	248
Materials and supplies	85	57
Assets held for sale	—	683
Other	169	159
Total current assets	1,018	1,554
Regulatory and other long-term assets:		
Regulatory assets	1,053	1,051
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	91	92
Goodwill	1,143	1,139
Postretirement benefit assets	207	193
Other	240	242
Total regulatory and other long-term assets	3,454	3,437
Total assets	$ 26,574	$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	June 30, 2022	December 31, 2021
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 187,127,525 and 186,880,413 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,804	6,781
Retained earnings	1,181	925
Accumulated other comprehensive loss	(40)	(45)
Treasury stock, at cost (5,342,229 and 5,269,324 shares, respectively)	(377)	(365)
Total common shareholders' equity	7,570	7,298
Long-term debt	11,023	10,341
Redeemable preferred stock at redemption value	3	3
Total long-term debt	11,026	10,344
Total capitalization	18,596	17,642
Current liabilities:		
Short-term debt	420	584
Current portion of long-term debt	178	57
Accounts payable	196	235
Accrued liabilities	593	701
Accrued taxes	27	176
Accrued interest	93	88
Liabilities related to assets held for sale	—	83
Other	221	217
Total current liabilities	1,728	2,141
Regulatory and other long-term liabilities:		
Advances for construction	294	284
Deferred income taxes and investment tax credits	2,430	2,421
Regulatory liabilities	1,533	1,600
Operating lease liabilities	79	80
Accrued pension expense	262	285
Other	177	180
Total regulatory and other long-term liabilities	4,775	4,850
Contributions in aid of construction	1,475	1,442
Commitments and contingencies (See Note 11)		
Total capitalization and liabilities	$ 26,574	$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations (Unaudited)
(In millions, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Operating revenues	$ 937	$ 999	$ 1,779	$ 1,887
Operating expenses:				
Operation and maintenance	376	431	740	850
Depreciation and amortization	163	158	321	315
General taxes	71	80	145	163
Total operating expenses, net	610	669	1,206	1,328
Operating income	327	330	573	559
Other income (expense):				
Interest expense	(106)	(101)	(206)	(199)
Interest income	12	—	25	—
Non-operating benefit costs, net	20	19	39	39
Other, net	17	3	32	7
Total other (expense) income	(57)	(79)	(110)	(153)
Income before income taxes	270	251	463	406
Provision for income taxes	52	44	87	66
Net income attributable to common shareholders	$ 218	$ 207	$ 376	$ 340
Basic earnings per share: (a)				
Net income attributable to common shareholders	$ 1.20	$ 1.14	$ 2.07	$ 1.87
Diluted earnings per share: (a)				
Net income attributable to common shareholders	$ 1.20	$ 1.14	$ 2.07	$ 1.87
Weighted-average common shares outstanding:				
Basic	182	182	182	181
Diluted	182	182	182	182

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net income attributable to common shareholders	$ 218	$ 207	$ 376	$ 340
Other comprehensive income, net of tax:				
Defined benefit pension plan actuarial loss, net of tax of $0 and $1 for each of the three months ended June 30, 2022 and 2021, respectively, and $0 and $1 for each of the six months ended June 30, 2022 and 2021, respectively	1	1	2	2
Unrealized gain on cash flow hedges, net of tax of $1 and $0 for the three months ended June 30, 2022 and 2021, respectively, and $1 and $0 for the six months ended June 30, 2022 and 2021, respectively	3	1	3	1
Net other comprehensive income	4	2	5	3
Comprehensive income attributable to common shareholders	$ 222	$ 209	$ 381	$ 343

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Six Months Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 376	$ 340
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	321	315
Deferred income taxes and amortization of investment tax credits	(33)	64
Provision for losses on accounts receivable	10	18
Pension and non-pension postretirement benefits	(25)	(21)
Other non-cash, net	(2)	(42)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(159)	(58)
Pension and non-pension postretirement benefit contributions	(31)	(18)
Accounts payable and accrued liabilities	(63)	(15)
Accrued taxes	(146)	6
Other assets and liabilities, net	(52)	(69)
Net cash provided by operating activities	196	520
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(995)	(752)
Acquisitions, net of cash acquired	(240)	(39)
Net proceeds from sale of assets	608	—
Removal costs from property, plant and equipment retirements, net	(49)	(43)
Net cash used in investing activities	(676)	(834)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	811	1,102
Repayments of long-term debt	(7)	(364)
Repayments of term loan	—	(500)
Net short-term (repayments) borrowings with maturities less than three months	(164)	(176)
Advances and contributions in aid of construction, net of refunds of $8 and $12 for the six months ended June 30, 2022 and 2021, respectively	41	23
Debt issuance costs and make-whole premium on early debt redemption	(7)	(26)
Dividends paid	(228)	(209)
Other, net	(5)	(8)
Net cash provided by (used in) financing activities	441	(158)
Net decrease in cash, cash equivalents and restricted funds	(39)	(472)
Cash, cash equivalents and restricted funds at beginning of period	136	576
Cash, cash equivalents and restricted funds at end of period	$ 97	$ 104
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	$ 335	$ 226

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock					Treasury Stock		
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	Total Shareholders' Equity
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298
Net income attributable to common shareholders	—	—	—	158	—	—	—	158
Common stock issuances (a)	0.2	—	15	—	—	—	(12)	3
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2022	187.1	$ 2	$ 6,796	$ 1,083	$ (44)	(5.3)	$ (377)	$ 7,460
Net income attributable to common shareholders	—	—	—	218	—	—	—	218
Common stock issuances (a)	—	—	8	—	—	—	—	8
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends ($0.6550 declared per common share)	—	—	—	(120)	—	—	—	(120)
Balance as of June 30, 2022	187.1	$ 2	$ 6,804	$ 1,181	$ (40)	(5.3)	$ (377)	$ 7,570

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

	Common Stock					Treasury Stock		
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	Total Shareholders' Equity
Balance as of December 31, 2020	186.5	$ 2	$ 6,747	$ 102	$ (49)	(5.2)	$ (348)	$ 6,454
Net income attributable to common shareholders	—	—	—	133	—	—	—	133
Common stock issuances (a)	0.2	—	10	—	—	(0.1)	(15)	(5)
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2021	186.7	$ 2	$ 6,757	$ 235	$ (48)	(5.3)	$ (363)	$ 6,583
Net income attributable to common shareholders	—	—	—	207	—	—	—	207
Common stock issuances (a)	0.1	—	8	—	—	—	—	8
Net other comprehensive income	—	—	—	—	2	—	—	2
Dividends ($0.6025 declared per common share)	—	—	—	(110)	—	—	—	(110)
Balance as of June 30, 2021	186.8	$ 2	$ 6,765	$ 332	$ (46)	(5.3)	$ (363)	$ 6,690

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the "Company" or "American Water"), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q ("Form 10-Q"). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of June 30, 2022, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2021 ("Form 10-K"), which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company's operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2022:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022	Either modified retrospective or fully retrospective	The standard did not have a material impact on its Consolidated Financial Statements.
Disclosures by Business Entities about Government Assistance	The amendments in this update require additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies.	January 1, 2022	Either prospective or retrospective	The standard did not have a material impact on its Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of June 30, 2022:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Troubled debt restructurings and vintage disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings ("TDRs") by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023; early adoption permitted	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding.

Presented in the table below are the changes in the allowance for uncollectible accounts for the six months ended June 30:

	2022	2021
Balance as of January 1	$ (75)	$ (60)
Amounts charged to expense	(10)	(18)
Amounts written off	18	4
Less: Allowance for uncollectible accounts included in assets held for sale (a)	—	4
Balance as of June 30	$ (67)	$ (70)

(a) This portion of the allowance for uncollectible accounts is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of excess accumulated deferred income tax ("EADIT") that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the respective period:

	During the Three Months Ended June 30,		During the Six Months Ended June 30,	
(In millions)	2022	2021	2022	2021
General rate cases by state (a):				
West Virginia (effective February 25, 2022)	$ —	$ —	$ 15	$ —
California (effective January 1, 2022 and January 1, 2021)	—	—	13	22
Pennsylvania (effective January 1, 2022 and January 28, 2021)	—	—	20	70
Missouri (effective May 28, 2021)	—	22	—	22
Total general rate cases	$ —	$ 22	$ 48	$ 114
Infrastructure surcharges by state:				
New Jersey (effective June 27, 2022 and June 28, 2021)	$ 10	$ 14	$ 10	$ 14
Pennsylvania (effective April 1, 2022 and January 1, 2021)	2	—	2	8
Indiana (effective March 21, 2022 and March 17, 2021)	—	—	8	8
West Virginia (effective March 1, 2022 and January 1, 2021)	—	—	3	5
Missouri (effective February 1, 2022)	—	—	12	—
Illinois (effective January 1, 2022 and January 1, 2021)	—	—	6	7
Tennessee (effective January 1, 2021)	—	—	—	3
Total infrastructure surcharges	$ 12	$ 14	$ 41	$ 45

(a) Excludes authorized increase of $7 million for the three and six months ended June 30, 2021, for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 5—Acquisitions and Divestitures for additional information.

On June 16, 2022, the Company's Hawaii subsidiary was authorized additional annual revenues of $2 million in its general rate case, effective July 1, 2022, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA").

Effective July 1, 2022, the Company's Pennsylvania and Kentucky subsidiaries implemented infrastructure surcharges for annualized incremental revenues of $9 million and $3 million, respectively.

On February 24, 2022, the Company's West Virginia subsidiary ("WVAWC") was authorized additional annual revenues of $15 million in its general rate case, effective February 25, 2022, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $2 million and the exclusion for infrastructure surcharges is $10 million. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. The Company filed its response to the Staff's Petition for Reconsideration on March 28, 2022 in support of the authorized revenue requirement. The matter is currently pending.

On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which is retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of $22 million, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $4 million and is offset by a like reduction in income tax expense. On February 16, 2022, the Company's California subsidiary received approval to increase rates by $13 million in 2022 escalation increases, excluding $4 million of reductions related to the TCJA, which is retroactive to January 1, 2022.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company filed its brief in support of the appeal on March 4, 2022. Response briefs were filed on June 22, 2022. The Company's reply brief is due on August 4, 2022. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, effective January 28, 2021, excluding agreed to reductions in revenues of $19 million for EADIT as a result of the TCJA. The overall increase, net of TCJA reductions, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step was effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the average rate assumptions method, and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annual reduction to revenue is comprised of both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $57 million and a total increase in revenue over the 2024 to 2026 period of $99 million. The requested increase excludes proposed reductions for EADIT as a result of TCJA.

On July 1, 2022, the Company's Missouri subsidiary filed a general rate case requesting $116 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On April 29, 2022, the Company's Pennsylvania subsidiary filed a general rate case requesting $185 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Public hearings were held on July 19, 2022 through July 21, 2022. Evidentiary hearings are expected to be held in September 2022.

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting $71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The requested increase was subsequently updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, with the request adjusted to $85 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Evidentiary hearings are scheduled to begin on August 9, 2022.

On January 14, 2022, the Company's New Jersey subsidiary filed a general rate case requesting $110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Public hearings were held on April 6, 2022. Settlement conferences commenced in May 2022. The matter remains pending before the Office of Administrative Law.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting $15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates are subject to refund. Public hearings are scheduled for September 23, 2022 and evidentiary hearings are scheduled to begin on September 27, 2022.

The Company's California subsidiary submitted its application on May 3, 2021 to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the fourth quarter of 2022.

Pending Infrastructure Surcharge Filings

On July 8, 2022, the Company's Tennessee subsidiary filed infrastructure surcharges requesting $3 million in additional annualized revenues.

On June 30, 2022, WVAWC filed an infrastructure surcharge proceeding requesting $8 million in additional annualized revenues.

On March 4, 2022, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting $19 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that will require the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company's California subsidiary's petition and the petitions filed by other entities challenging the decision. These writs were subsequently consolidated for purposes of briefing, argument, and decision. While the Company's California subsidiary believes the petitions have merit, the process will be lengthy as the matter likely will be remanded to the CPUC for further review of the decision. Furthermore, there is no guarantee that the court will require the CPUC to allow utilities to implement a full decoupling water revenue adjustment mechanism.

Note 4: Revenue Recognition

Disaggregated Revenues

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company also operates other market-based businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, collectively included within "Market-Based Businesses and Other."

Presented in the table below are operating revenues disaggregated for the three months ended June 30, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 483	$ 1	$ 484
Commercial	174	—	174
Fire service	37	—	37
Industrial	38	—	38
Public and other	59	—	59
Total water services	791	1	792
Wastewater services:			
Residential	42	—	42
Commercial	11	—	11
Industrial	1	—	1
Public and other	4	—	4
Total wastewater services	58	—	58
Miscellaneous utility charges	9	—	9
Alternative revenue programs	—	4	4
Lease contract revenue	—	2	2
Total Regulated Businesses	858	7	865
Market-Based Businesses and Other	72	—	72
Total operating revenues	$ 930	$ 7	$ 937

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* ("ASC 606"), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the three months ended June 30, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 491	$ —	$ 491
Commercial	170	—	170
Fire service	37	—	37
Industrial	34	—	34
Public and other	56	—	56
Total water services	788	—	788
Wastewater services:			
Residential	38	—	38
Commercial	9	—	9
Industrial	1	—	1
Public and other	4	—	4
Total wastewater services	52	—	52
Miscellaneous utility charges	8	—	8
Alternative revenue programs	—	7	7
Lease contract revenue	—	2	2
Total Regulated Businesses	848	9	857
Market-Based Businesses and Other	142	—	142
Total operating revenues	$ 990	$ 9	$ 999

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the six months ended June 30, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 911	$ 1	$ 912
Commercial	327	—	327
Fire service	73	—	73
Industrial	74	—	74
Public and other	116	—	116
Total water services	1,501	1	1,502
Wastewater services:			
Residential	83	—	83
Commercial	21	—	21
Industrial	2	—	2
Public and other	7	—	7
Total wastewater services	113	—	113
Miscellaneous utility charges	18	—	18
Alternative revenue programs	—	6	6
Lease contract revenue	—	4	4
Total Regulated Businesses	1,632	11	1,643
Market-Based Businesses and Other	136	—	136
Total operating revenues	$ 1,768	$ 11	$ 1,779

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the six months ended June 30, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 921	$ —	$ 921
Commercial	314	—	314
Fire service	74	—	74
Industrial	66	—	66
Public and other	100	—	100
Total water services	1,475	—	1,475
Wastewater services:			
Residential	74	—	74
Commercial	18	—	18
Industrial	2	—	2
Public and other	8	—	8
Total wastewater services	102	—	102
Miscellaneous utility charges	16	—	16
Alternative revenue programs	—	16	16
Lease contract revenue	—	3	3
Total Regulated Businesses	1,593	19	1,612
Market-Based Businesses and Other	275	—	275
Total operating revenues	$ 1,868	$ 19	$ 1,887

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In Market-Based Businesses and Other, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $72 million and $71 million are included in unbilled revenues on the Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021, respectively. There were $109 million of contract assets added during the six months ended June 30, 2022, and $108 million of contract assets were transferred to accounts receivable during the same period. There were $38 million of contract assets added during the six months ended June 30, 2021, and $19 million of contract assets were transferred to accounts receivable during the same period.

Contract liabilities of $82 million and $19 million are included in other current liabilities on the Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021, respectively. There were $128 million of contract liabilities added during the six months ended June 30, 2022, and $65 million of contract liabilities were recognized as revenue during the same period. There were $90 million of contract liabilities added during the six months ended June 30, 2021, and $81 million of contract liabilities were recognized as revenue during the same period.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of June 30, 2022, the Company's operation and maintenance ("O&M") and capital improvement contracts in Market-Based Businesses and Other have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of $6.3 billion as of June 30, 2022, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2022 and 2038 and have RPOs of $574 million as of June 30, 2022, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures

Regulated Businesses

Acquisitions

On May 27, 2022, the Company's Pennsylvania subsidiary acquired the public wastewater collection and treatment system assets from the York City Sewer Authority and the City of York for a purchase price of $235 million, in cash, $20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement. The system assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. The acquisition was accounted for as a business combination and the preliminary purchase price allocation will be finalized once the valuation of assets acquired has been completed, no later than one year after the acquisition date. The preliminary purchase price allocation consisted primarily of $231 million of utility plant and $4 million of goodwill, which is reported in the Company's Regulated Businesses segment.

In addition to the acquisition of the York wastewater system assets noted above, during the six months ended June 30, 2022, the Company closed on the acquisition of eight regulated water and wastewater systems for an aggregate purchase price of $25 million. Assets acquired from these acquisitions consisted principally of utility plant.

The pro forma impact of the Company's acquisitions was not material to the Consolidated Statements of Operations for the periods ended June 30, 2022 and 2021.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. During the first quarter of 2022, the Company recognized a loss on sale of $2 million.

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for $6 million.

Sale of Homeowner Services Group

On December 9, 2021, the Company sold all of the equity interests in subsidiaries that comprised the Company's Homeowner Services Group ("HOS") to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately $1.275 billion, resulting in pre-tax gain on sale of $748 million during the fourth quarter of 2021. The consideration was comprised of $480 million in cash, a seller promissory note issued by the Buyer in the principal amount of $720 million, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 13—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. For the three and six months ended June 30, 2022, the Company recorded post-close adjustments, primarily related to working capital, of pre-tax income of $10 million and $20 million, respectively, which is included in Other, net on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized $12 million and $25 million of interest income during the three and six months ended June 30, 2022, respectively, from the seller note.

The Company and the Buyer also entered into revenue share agreements, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized $2 million and $4 million of income during the three and six months ended June 30, 2022, respectively, from the revenue share agreements, which is included in Other, net on the Consolidated Statements of Operations.

Note 6: Shareholders' Equity

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the six months ended June 30, 2022 and 2021, respectively:

	Defined Benefit Pension Plans				
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Loss on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance as of December 31, 2021	$ (107)	$ 1	$ 67	$ (6)	$ (45)
Other comprehensive income before reclassifications	—	—	—	4	4
Amounts reclassified from accumulated other comprehensive loss	—	—	1	—	1
Net other comprehensive income	—	—	1	4	5
Balance as of June 30, 2022	$ (107)	$ 1	$ 68	$ (2)	$ (40)
Balance as of December 31, 2020	$ (106)	$ 1	$ 63	$ (7)	$ (49)
Other comprehensive loss before reclassifications	—	—	—	1	1
Amounts reclassified from accumulated other comprehensive loss	—	—	2	—	2
Net other comprehensive income	—	—	2	1	3
Balance as of June 30, 2021	$ (106)	$ 1	$ 65	$ (6)	$ (46)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends

On June 1, 2022, the Company paid a quarterly cash dividend of $0.6550 per share to shareholders of record as of May 10, 2022.

On July 27, 2022, the Company's Board of Directors declared a quarterly cash dividend payment of $0.6550 per share, payable on September 1, 2022 to shareholders of record as of August 9, 2022. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 7: Long-Term Debt

On May 5, 2022, American Water Capital Corp. ("AWCC"), issued $800 million aggregate principal amount of 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $792 million. AWCC used the net proceeds of the offering: (i) to lend funds to the Company and its subsidiaries in its Regulated Businesses segment; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling $400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately $4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022. No ineffectiveness was recognized on hedging instruments for the three and six months ended June 30, 2022.

In addition to the senior notes issued by AWCC as described above, during the six months ended June 30, 2022, the Company's regulated subsidiaries issued in the aggregate $11 million of private activity bonds and government funded debt in multiple transactions with annual interest rates of 0.74%, maturing in 2041. During the six months ended June 30, 2022, AWCC and the Company's regulated subsidiaries made sinking fund payments for, or repaid at maturity, $7 million in aggregate principal amount of outstanding long-term debt, with annual interest rates ranging from 0.00% to 12.25%, a weighted average interest rate of 2.76%, and maturity dates ranging from 2022 to 2048.

Note 8: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. Additionally, proceeds from the aforementioned sales of HOS and the Company's New York subsidiary will be used primarily for capital investment in the Regulated Businesses. The revolving credit facility provides $2.25 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is March 21, 2025. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. As of June 30, 2022 and December 31, 2021, there were no borrowings outstanding under the revolving credit facility.

Short-term debt consists of commercial paper and credit facility borrowings totaling $420 million and $584 million as of June 30, 2022 and December 31, 2021, respectively. The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 1.67% and 0.20% at June 30, 2022 and December 31, 2021, respectively. As of June 30, 2022 and December 31, 2021, there were no commercial paper or credit facility borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of June 30, 2022		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(420)	(75)	(495)
Remaining availability as of June 30, 2022	$ 1,680	$ 75	$ 1,755

(a) Total remaining availability of $1.76 billion as of June 30, 2022 may be accessed through revolver draws.

(In millions)	As of December 31, 2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	$ 1,516	$ 74	$ 1,590

(a) Total remaining availability of $1.59 billion as of December 31, 2021 may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of June 30, 2022 and December 31, 2021, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of June 30, 2022	$ 71	$ 1,755	$ 1,826
Available liquidity as of December 31, 2021	$ 116	$ 1,590	$ 1,706

Note 9: Income Taxes

The Company's effective income tax rate was 19.3% and 17.5% for the three months ended June 30, 2022 and 2021, respectively, and 18.8% and 16.3% for the six months ended June 30, 2022 and 2021, respectively. The increase in the Company's effective income tax rate for the three and six months ended June 30, 2022 was primarily due to a decrease in the amortization of EADIT pursuant to regulatory orders.

Note 10: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit credit:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Components of net periodic pension benefit credit:				
Service cost	$ 7	$ 9	$ 15	$ 18
Interest cost	16	16	32	33
Expected return on plan assets	(30)	(32)	(61)	(64)
Amortization of prior service credit	(1)	—	(2)	(1)
Amortization of actuarial loss	5	6	10	13
Net periodic pension benefit credit	$ (3)	$ (1)	$ (6)	$ (1)
Components of net periodic other postretirement benefit credit:				
Service cost	$ 1	$ 1	$ 2	$ 2
Interest cost	2	2	5	4
Expected return on plan assets	(5)	(5)	(10)	(10)
Amortization of prior service credit	(8)	(8)	(16)	(16)
Net periodic other postretirement benefit credit	$ (10)	$ (10)	$ (19)	$ (20)

The Company contributed $9 million and $18 million for the funding of its defined benefit pension plans for the three and six months ended June 30, 2022, respectively, and contributed $9 million and $18 million for the funding of its defined benefit pension plans for the three and six months ended June 30, 2021. There were $3 million and $13 million of contributions for the funding of the Company's other postretirement benefit plans for the three and six months ended June 30, 2022, respectively, and no such contributions for the three and six months ended June 30, 2021, respectively. The Company expects to make pension contributions to the plan trusts of $18 million during the remainder of 2022.

Note 11: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of June 30, 2022, the Company has accrued approximately $6 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $3 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 11—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company-affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the $126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is $19 million. As of June 30, 2022, $0.5 million of the aggregate Settlement amount of $126 million has been reflected in accrued liabilities, and $0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets. The amount reflected in accrued liabilities as of June 30, 2022 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund's appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys' fees and claims administration costs. The Company funded WVAWC's contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. On January 28, 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. WVAWC is considering whether to challenge the Circuit Court's latest certification order.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. The court has entered an agreed scheduling order, which sets a hearing in October 2022 to address the question of class certification.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order") approving a deadline of December 31, 2021 for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the 2009 Order and the 2016 Order.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated incurred costs plus an allowance for funds used during construction ("AFUDC"), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am has incurred $199 million in aggregate costs as of June 30, 2022 related to the Water Supply Project, which includes $53 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and on November 29, 2021, Cal Am filed an application with the CPUC seeking review and approval of the amended and restated water purchase agreement. Cal Am is also requesting rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This amount is in addition to, and consistent in regulatory treatment with, the prior $50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the "Coastal Commission"), as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. Cal Am responded with the requested additional information on January 11, 2022, and on February 8, 2022, the Coastal Commission requested additional information. The original jurisdiction application remains pending.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirements contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources, sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 12: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted EPS calculations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net income attributable to common shareholders	$ 218	$ 207	$ 376	$ 340
Denominator:				
Weighted-average common shares outstanding—Basic	182	182	182	181
Effect of dilutive common stock equivalents	—	—	—	1
Weighted-average common shares outstanding—Diluted	182	182	182	182

The effect of dilutive common stock equivalents is related to outstanding stock options, restricted stock units ("RSUs") and performance stock units ("PSUs") granted under the Company's 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company's 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three and six months ended June 30, 2022 and 2021, because their effect would have been anti-dilutive under the treasury stock method.

Note 13: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note from the sale of HOS is $720 million as of June 30, 2022 and December 31, 2021. This amount represents the principal amount owed under the seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the seller note approximated $693 million and $720 million as of June 30, 2022 and December 31, 2021, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The seller note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of June 30, 2022				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt (excluding finance lease obligations)	11,200	9,023	50	1,446	10,519

	As of December 31, 2021				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 4	$ —	$ —	$ 6	$ 6
Long-term debt (excluding finance lease obligations)	10,396	10,121	60	1,637	11,818

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 26	$ —	$ —	$ 26
Rabbi trust investments	22	—	—	22
Deposits	7	—	—	7
Other investments	25	—	—	25
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	80	—	72	152
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	$ 56	$ —	$ 72	$ 128

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 21	$ —	$ —	$ 21
Rabbi trust investments	23	—	—	23
Deposits	27	—	—	27
Other investments	17	—	—	17
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	88	—	72	160
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total assets	$ 61	$ —	$ 72	$ 133

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no mark-to-market derivatives outstanding as of June 30, 2022.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Contingent cash payment from the sale of HOS—The Company's contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other long-term assets on the Consolidated Balance Sheets. The fair value of the contingent cash payment is $72 million, which is estimated using the probability of the outcome of receipt of the $75 million, a Level 3 input.

Note 14: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's right-of-use ("ROU") assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 38 years, five years, and four years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $146 million as of June 30, 2022 and December 31, 2021. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $2 million in 2022, $4 million in 2023 through 2026, and $48 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were $3 million and $4 million for the three months ended June 30, 2022 and June 30, 2021, respectively, and $6 million and $7 million for the six months ended June 30, 2022 and June 30, 2021, respectively.

For the three and six months ended June 30, 2022, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, were $4 million and $7 million, respectively. For the six months ended June 30, 2022, there were ROU assets obtained in exchange for new operating lease liabilities of $3 million.

As of June 30, 2022, the weighted-average remaining lease term of the finance lease and operating leases were four years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at June 30, 2022 are $5 million in 2022, $10 million in 2023, $9 million in 2024, $9 million in 2025, $8 million in 2026, and $88 million thereafter. At June 30, 2022, imputed interest was $43 million.

Note 15: Segment Information

The Company's operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. "Market-Based Businesses and Other" includes market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions and fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Market-Based Businesses and Other as they are excluded from segment performance measures evaluated by management.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as "Market-Based Businesses and Other." Segment results for the three and six months ended June 30, 2021 have been adjusted retrospectively to reflect this change.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended June 30, 2022		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	$ 865	$ 72	$ 937
Depreciation and amortization	157	6	163
Total operating expenses, net	546	64	610
Interest expense	(76)	(30)	(106)
Interest income	—	12	12
Income before income taxes	266	4	270
Provision for income taxes	47	5	52
Net income (loss) attributable to common shareholders	219	(1)	218
Total assets	23,864	2,710	26,574
Cash paid for capital expenditures	568	3	571

	As of or for the Three Months Ended June 30, 2021		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	$ 857	$ 142	$ 999
Depreciation and amortization	151	7	158
Total operating expenses, net	552	117	669
Interest expense	(72)	(29)	(101)
Interest income	—	—	—
Income (loss) before income taxes	257	(6)	251
Provision for income taxes	42	2	44
Net income (loss) attributable to common shareholders	215	(8)	207
Total assets	22,445	2,507	24,952
Cash paid for capital expenditures	406	4	410

	As of or for the Six Months Ended June 30, 2022		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	$ 1,643	$ 136	$ 1,779
Depreciation and amortization	312	9	321
Total operating expenses, net	1,084	122	1,206
Interest expense	(146)	(60)	(206)
Interest income	—	25	25
Income before income taxes	462	1	463
Provision for income taxes	83	4	87
Net income (loss) attributable to common shareholders	379	(3)	376
Total assets	23,864	2,710	26,574
Cash paid for capital expenditures	990	5	995

	As of or for the Six Months Ended June 30, 2021		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	$ 1,612	$ 275	$ 1,887
Depreciation and amortization	298	17	315
Total operating expenses, net	1,095	233	1,328
Interest expense	(143)	(56)	(199)
Interest income	—	—	—
Income (loss) before income taxes	420	(14)	406
Provision (benefit) for income taxes	70	(4)	66
Net income (loss) attributable to common shareholders	350	(10)	340
Total assets	22,445	2,507	24,952
Cash paid for capital expenditures	744	8	752

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company's Form 10-K for the year ended December 31, 2021. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements" and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). The Company also operates other market-based businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, collectively included within "Market-Based Businesses and Other." See Part I, Item 1—Business in the Company's Form 10-K for additional information.

Financial Results

For the three and six months ended June 30, 2022, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), were $1.20 and $2.07, respectively, an increase of $0.06 and $0.20, respectively, per diluted share, as compared to the same periods in the prior year. These increases were primarily driven by the implementation of new rates in the Regulated Businesses from infrastructure investments, offset somewhat by impacts from inflationary pressures estimated at $0.06 to $0.08 per share for the year-to-date period. Also, included in the results for the three and six months ended June 30, 2022, are $0.06 and $0.12 per share, respectively, from interest income earned on the seller note and income earned on revenue share agreements, which compares to Homeowner Services Group ("HOS") operating results for the three and six months ended June 30, 2021, of $0.08 and $0.16 per share, respectively. 2022 results also include $0.04 and $0.08 per share for the three and six months, respectively, from the final post-close adjustments from the sale of HOS in 2021. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. The Company plans to invest approximately $2.5 billion across its footprint in 2022. During the first six months of 2022, the Company invested $1.25 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- $1.0 billion capital investment in the Regulated Businesses, the substantial majority for infrastructure improvements and replacements; and
- $240 million to fund acquisitions in the Regulated Businesses, which added approximately 51,000 customers, in addition to approximately 8,200 customers added through organic growth. This includes the Company's Pennsylvania subsidiary's acquisition of the wastewater system assets from the York City Sewer Authority and the City of York on May 27, 2022 for a cash purchase price of $235 million, $20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

As of June 30, 2022, the Company has entered into agreements for pending acquisitions in the Regulated Businesses, including the Egg Harbor City agreement discussed above, to add approximately 29,200 additional customers.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash.

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for $6 million.

Military Services Group

On June 30, 2022, MSG was awarded a contract for the ownership, operation, maintenance and replacement of the wastewater utility system assets at Naval Station Mayport in Jacksonville, Florida. The contract is effective July 1, 2022 and its total revenue is approximately $341 million over a 50-year period, subject to an annual economic price adjustment. MSG operates and maintains water and/or wastewater systems and related capital programs as part of the U.S. government's Utilities Privatization Program. This contract represents the 18th installation in MSG's footprint and the first contract with respect to a U.S. Navy installation.

Operational Excellence

The Company's adjusted regulated operation and maintenance ("O&M") efficiency ratio, which is used as a measure of the operating performance of the Regulated Businesses, was 33.7% for the twelve months ended June 30, 2022, as compared to 33.9% for the twelve months ended June 30, 2021. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below, as well as the continued focus on operating costs.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure, and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

	For the Twelve Months Ended June 30,	
(Dollars in millions)	**2022**	**2021**
Total operation and maintenance expenses	$ 1,668	$ 1,698
Less:		
Operation and maintenance expenses—Market-Based Businesses and Other	352	392
Total operation and maintenance expenses—Regulated Businesses	1,316	1,306
Less:		
Regulated purchased water expenses	152	156
Allocation of non-operation and maintenance expenses	32	45
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,132	$ 1,105
Total operating revenues	$ 3,822	$ 3,890
Less:		
Operating revenues—Market-Based Businesses and Other	408	546
Total operating revenues—Regulated Businesses	3,414	3,344
Less:		
Regulated purchased water revenues (a)	152	156
Revenue reductions from the amortization of EADIT	(97)	(69)
Adjusted operating revenues—Regulated Businesses (ii)	$ 3,359	$ 3,257
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.7 %	33.9 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the respective period:

	During the Three Months Ended June 30,		During the Six Months Ended June 30,	
(In millions)	**2022**	**2021**	**2022**	**2021**
General rate cases by state (a):				
West Virginia (effective February 25, 2022)	$ —	$ —	$ 15	$ —
California (effective January 1, 2022 and January 1, 2021)	—	—	13	22
Pennsylvania (effective January 1, 2022 and January 28, 2021)	—	—	20	70
Missouri (effective May 28, 2021)	—	22	—	22
Total general rate cases	$ —	$ 22	$ 48	$ 114
Infrastructure surcharges by state:				
New Jersey (effective June 27, 2022 and June 28, 2021)	$ 10	$ 14	$ 10	$ 14
Pennsylvania (effective April 1, 2022 and January 1, 2021)	2	—	2	8
Indiana (effective March 21, 2022 and March 17, 2021)	—	—	8	8
West Virginia (effective March 1, 2022 and January 1, 2021)	—	—	3	5
Missouri (effective February 1, 2022)	—	—	12	—
Illinois (effective January 1, 2022 and January 1, 2021)	—	—	6	7
Tennessee (effective January 1, 2021)	—	—	—	3
Total infrastructure surcharges	$ 12	$ 14	$ 41	$ 45

(a) Excludes authorized increase of $7 million for the three and six months ended June 30, 2021, for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 5—Acquisitions and Divestitures for additional information.

On June 16, 2022, the Company's Hawaii subsidiary was authorized additional annual revenues of $2 million in its general rate case, effective July 1, 2022, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA").

Effective July 1, 2022, the Company's Pennsylvania and Kentucky subsidiaries implemented infrastructure surcharges for annualized incremental revenues of $9 million and $3 million, respectively.

On February 24, 2022, the Company's West Virginia subsidiary ("WVAWC") was authorized additional annual revenues of $15 million in its general rate case, effective February 25, 2022, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $2 million and the exclusion for infrastructure surcharges is $10 million. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. The Company filed its response to the Staff's Petition for Reconsideration on March 28, 2022 in support of the authorized revenue requirement. The matter is currently pending.

On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which is retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of $22 million, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $4 million and is offset by a like reduction in income tax expense. On February 16, 2022, the Company's California subsidiary received approval to increase rates by $13 million in 2022 escalation increases, excluding $4 million of reductions related to the TCJA, which is retroactive to January 1, 2022.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company filed its brief in support of the appeal on March 4, 2022. Response briefs were filed on June 22, 2022. The Company's reply brief is due on August 4, 2022. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, effective January 28, 2021, excluding agreed to reductions in revenues of $19 million for EADIT as a result of the TCJA. The overall increase, net of TCJA reductions, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step was effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the average rate assumptions method, and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annual reduction to revenue is comprised of both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $57 million and a total increase in revenue over the 2024 to 2026 period of $99 million. The requested increase excludes proposed reductions for EADIT as a result of TCJA.

On July 1, 2022, the Company's Missouri subsidiary filed a general rate case requesting $116 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On April 29, 2022, the Company's Pennsylvania subsidiary filed a general rate case requesting $185 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Public hearings were held on July 19, 2022 through July 21, 2022. Evidentiary hearings are expected to be held in September 2022.

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting $71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The requested increase was subsequently updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, with the request adjusted to $85 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Evidentiary hearings are scheduled to begin on August 9, 2022.

On January 14, 2022, the Company's New Jersey subsidiary filed a general rate case requesting $110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Public hearings were held on April 6, 2022. Settlement conferences commenced in May 2022. The matter remains pending before the Office of Administrative Law.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting $15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates are subject to refund. Public hearings are scheduled for September 23, 2022 and evidentiary hearings are scheduled to begin on September 27, 2022.

The Company's California subsidiary submitted its application on May 3, 2021 to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the fourth quarter of 2022.

Pending Infrastructure Surcharge Filings

On July 8, 2022, the Company's Tennessee subsidiary filed infrastructure surcharges requesting $3 million in additional annualized revenues.

On June 30, 2022, WVAWC filed an infrastructure surcharge proceeding requesting $8 million in additional annualized revenues.

On March 4, 2022, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting $19 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that will require the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company's California subsidiary's petition and the petitions filed by other entities challenging the decision. These writs were subsequently consolidated for purposes of briefing, argument, and decision. While the Company's California subsidiary believes the petitions have merit, the process will be lengthy as the matter likely will be remanded to the CPUC for further review of the decision. Furthermore, there is no guarantee that the court will require the CPUC to allow utilities to implement a full decoupling water revenue adjustment mechanism.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
(In millions)				
Operating revenues	$ 937	$ 999	$ 1,779	$ 1,887
Operating expenses:				
Operation and maintenance	376	431	740	850
Depreciation and amortization	163	158	321	315
General taxes	71	80	145	163
Total operating expenses, net	610	669	1,206	1,328
Operating income	327	330	573	559
Other income (expense):				
Interest expense	(106)	(101)	(206)	(199)
Interest income	12	—	25	—
Non-operating benefit costs, net	20	19	39	39
Other, net	17	3	32	7
Total other (expense) income	(57)	(79)	(110)	(153)
Income before income taxes	270	251	463	406
Provision for income taxes	52	44	87	66
Net income attributable to common shareholders	$ 218	$ 207	$ 376	$ 340

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. "Market-Based Businesses and Other" includes market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, and fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Market-Based Businesses and Other as they are excluded from segment performance measures evaluated by management. This presentation is consistent with how management assesses the results of these businesses.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as "Market-Based Businesses and Other." Segment results for the three and six months ended June 30, 2021 have been adjusted retrospectively to reflect this change.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
(In millions)				
Operating revenues	$ 865	$ 857	$ 1,643	$ 1,612
Operation and maintenance	321	325	636	645
Depreciation and amortization	157	151	312	298
General taxes	68	76	136	152
Other income (expenses)	(53)	(49)	(97)	(97)
Income before income taxes	266	257	462	420
Provision for income taxes	47	42	83	70
Net income attributable to common shareholders	$ 219	$ 215	$ 379	$ 350

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
(In millions)				
Water services:				
Residential	$ 484	$ 491	$ 912	$ 921
Commercial	174	170	327	314
Fire service	37	37	73	74
Industrial	38	34	74	66
Public and other	63	63	122	116
Total water services	796	795	1,508	1,491
Wastewater services:				
Residential	42	38	83	74
Commercial	11	9	21	18
Industrial	1	1	2	2
Public and other	4	4	7	8
Total wastewater services	58	52	113	102
Other (a)	11	10	22	19
Total operating revenues	$ 865	$ 857	$ 1,643	$ 1,612

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(Gallons in millions)	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Billed water services volumes:				
Residential	38,005	42,897	72,165	79,756
Commercial	18,361	18,680	34,700	34,578
Industrial	9,506	8,374	18,125	16,443
Fire service, public and other	12,448	12,544	24,204	23,407
Total billed water services volumes	78,320	82,495	149,194	154,184

Included in operating revenues for the three months ended June 30, 2021 was $29 million related to the Company's New York operations. Excluding the Company's New York operations, for the three months ended June 30, 2022, operating revenues increased $37 million, primarily due to: (i) $33 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) $7 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; (iii) $6 million net increase as a result of reduced amortization of EADIT, primarily in the Company's New Jersey subsidiary; and (iv) $9 million decrease in demand, primarily driven by warmer and drier than normal weather in the second quarter of 2021 in the Northeast.

Included in operating revenues for the six months ended June 30, 2021 was $52 million related to the Company's New York operations. Excluding the Company's New York operations, for the six months ended June 30, 2022, operating revenues increased $83 million, primarily due to: (i) $73 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) $12 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; (iii) $8 million net increase as a result of reduced amortization of EADIT, primarily in the Company's New Jersey subsidiary; and (iv) $10 million decrease in demand, primarily driven by warmer and drier than normal weather in the second quarter of 2021 in the Northeast.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operation and maintenance expense:

(In millions)	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Employee-related costs	$ 126	$ 129	$ 252	$ 259
Production costs	93	89	177	167
Operating supplies and services	55	58	112	115
Maintenance materials and supplies	20	23	42	47
Customer billing and accounting	14	15	27	32
Other	13	11	26	25
Total	$ 321	$ 325	$ 636	$ 645

Included in operation and maintenance expense for the three and six months ended June 30, 2021 was $12 million and $24 million, respectively, related to the Company's New York operations. Excluding the Company's New York operations, for the three and six months ended June 30, 2022, operation and maintenance expense increased $8 million and $15 million, respectively, primarily due to increased fuel, power and chemicals costs.

Depreciation and Amortization

For the three and six months ended June 30, 2022, depreciation and amortization increased $6 million and $14 million, respectively, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

Included in general taxes for the three and six months ended June 30, 2021 was $12 million and $24 million, respectively, related to the Company's New York operations. Excluding the Company's New York operations, general taxes increased $3 million and $7 million, respectively, primarily due to an increase in the New Jersey Gross Receipts Tax and increased property tax assessments.

Provision for Income Taxes

For the three and six months ended June 30, 2022, the Regulated Businesses' provision for income taxes increased $5 million and $13 million, respectively. The Regulated Businesses' effective income tax rate was 19.3% and 17.5% for the three months ended June 30, 2022 and 2021, respectively, and 18.0% and 16.7% for the six months ended June 30, 2022 and 2021, respectively. The Regulated Businesses' effective income tax rate for the three and six months ended June 30, 2022 reflects the amortization of EADIT pursuant to regulatory orders.

Market-Based Businesses and Other

Presented in the table below is information for Market-Based Businesses and Other:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
(In millions)				
Operating revenues	$ 72	$ 142	$ 136	$ 275
Operation and maintenance	54	106	104	205
Depreciation and amortization	6	7	9	17
Interest expense	(30)	(29)	(60)	(56)
Interest income	12	—	25	—
Income (loss) before income taxes	4	(6)	1	(14)
Provision (benefit) for income taxes	5	2	4	(4)
Net loss attributable to common shareholders	$ (1)	$ (8)	$ (3)	$ (10)

Operating Revenues

For the three and six months ended June 30, 2022, operating revenues decreased $70 million and $139 million, respectively, due primarily to the sale of HOS. HOS operating revenues for the three and six months ended June 30, 2021 were $78 million and $154 million, respectively.

Operation and Maintenance

For the three and six months ended June 30, 2022, operation and maintenance expense decreased $52 million and $101 million, respectively, primarily due to the sale of HOS. HOS operation and maintenance expenses for the three and six months ended June 30, 2021, were $50 million and $102 million, respectively.

Depreciation and Amortization

For the three and six months ended June 30, 2022, depreciation and amortization decreased $1 million and $8 million, respectively, primarily due to the sale of HOS.

Interest Income

For the three and six months ended June 30, 2022, interest income increased $12 million and $25 million, respectively, due to interest recognized on the seller note related to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Legislative Updates

During 2022, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of July 27, 2022:

- Indiana passed Senate Enrolled Act 272, which requires public reporting of a non-jurisdictional utility's asset management programs. Non-jurisdictional utilities are exempt from the jurisdiction of the Indiana Utility Regulatory Commission (the "IURC"). The legislation also creates a water and wastewater research and extension program at a state university to serve as a repository for data collected from utilities. Additionally, the legislation establishes oversight and a receivership program in the IURC for non-jurisdictional utilities with violations that create environmental or human health and safety issues. Legislation was signed by the Governor on March 7, 2022 and became effective on July 1, 2022.
- Indiana passed water and wastewater utility asset financing legislation, Senate Enrolled Act 273, which authorizes the recovery of property tax in Distribution System Improvement Charge filings. The legislation also permits the IURC to allow recovery through tracking mechanisms for changes in property tax and for costs attributable to referenda or action by elected or appointed individuals. Legislation was signed by the Governor on March 10, 2022 and became effective on July 1, 2022.
- Virginia passed Senate Bill 500 and House Bill 182, which requires the Virginia State Corporation Commission, in any future ratemaking proceeding for an investor-owned water/wastewater utility, to evaluate the utility on a stand-alone basis and utilize the utility's actual end-of-test period capital structure and cost of capital without regard to the cost of capital, capital structure, or investments of any other entities with which the utility may be affiliated. Legislation was signed by the Governor on April 11, 2022 and became effective on July 1, 2022.
- Illinois passed House Bill 900/Public Act 102-0698 which contains appropriations to the Department of Commerce and Economic Opportunity of $3 million for the purposes of the Water and Sewer Finance Assistance Act (H.B. 414/Public Act 102-0262) and $55 million for the purposes of the federal Low-Income Household Water Assistance Program (LIHWAP). Legislation was signed by the Governor on April 19, 2022 with these provisions of the bill taking effect on July 1, 2022.
- Tennessee passed Senate Bill 2282 and House Bill 2346, which requires all utilities to implement a cyber security plan and update it every two years to provide for the protection of the utility's facilities from unauthorized use, alteration, ransom, or destruction of electronic data. The relevant regulatory body will verify if a utility has complied or impose reasonable sanctions if out of compliance. Utility compliance will be required by July 1, 2023. Legislation was signed by the Governor on June 1, 2022 and became effective immediately.

During 2022, the Company's regulatory jurisdictions enacted the following legislation that has been approved but is not yet effective as of July 27, 2022:

- The Missouri General Assembly passed state and local property tax tracker legislation, Senate Bill 745, which requires a utility to defer to a regulatory asset or liability account any difference in what was actually paid in state or local property taxes and what was used to set the revenue requirement in the utility's most recently completed general rate case. Legislation was signed by the Governor on June 29, 2022 and will become effective on August 28, 2022.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity (a "CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added "Measure J" to the November 2018 election ballot asking voters to decide whether the Monterey Peninsula Water Management District (the "MPWMD") should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed.

In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In November 2020, the MPWMD certified a final environmental impact report ("FEIR"), analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. On December 6, 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets, and on January 5, 2022, LAFCO's commissioners confirmed the denial. On February 28, 2022, LAFCO's commissioners voted to deny the MPWMD's application for reconsideration of LAFCO's confirmation of denial. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. On June 17, 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of $38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial was originally scheduled for October 2021 but has been continued to January 2023.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company's Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, and, if and to the extent necessary, borrowings under AWCC's revolving credit facility, and, in the future, issuances of equity.

The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity in addition to the proceeds from the sales of HOS and the Company's New York subsidiary. If necessary, the Company may delay certain capital investments or other funding requirements, or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company's revolving credit facility provides $2.25 billion in aggregate total commitments from a diversified group of financial institutions. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support, and to provide for the issuance of up to $150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is $2.10 billion. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million. As of June 30, 2022 and December 31, 2021, there were no borrowings outstanding under the revolving credit facility. The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 1.67% and 0.20% at June 30, 2022 and December 31, 2021, respectively.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of June 30, 2022		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(420)	(75)	(495)
Remaining availability as of June 30, 2022	$ 1,680	$ 75	$ 1,755

(a) Total remaining availability of $1.76 billion as of June 30, 2022 may be accessed through revolver draws.

	As of December 31, 2021		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	$ 1,516	$ 74	$ 1,590

(a) Total remaining availability of $1.59 billion as of December 31, 2021 may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of June 30, 2022 and December 31, 2021, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of June 30, 2022	$ 71	$ 1,755	$ 1,826
Available liquidity as of December 31, 2021	$ 116	$ 1,590	$ 1,706

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all. See Note 8—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

On May 5, 2022, AWCC issued $800 million aggregate principal amount of its 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $792 million. AWCC used the net proceeds of the offering: (i) to lend funds to the Company and its subsidiaries in its Regulated Businesses segment; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling $400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately $4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022. No ineffectiveness was recognized on hedging instruments for the three and six months ended June 30, 2022.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company's cash flows provided by operating activities:

	For the Six Months Ended June 30,	
	2022	2021
(In millions)		
Net income	$ 376	$ 340
Add (less):		
Depreciation and amortization	321	315
Deferred income taxes and amortization of investment tax credits	(33)	64
Other non-cash activities (a)	(17)	(45)
Changes in working capital (b)	(420)	(136)
Pension and non-pension postretirement benefit contributions	(31)	(18)
Net cash provided by operating activities	$ 196	$ 520

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable, accrued liabilities, accrued taxes, and other current assets and liabilities, net.

For the six months ended June 30, 2022, cash provided by operating activities decreased $324 million, primarily due to changes in working capital and deferred taxes. The changes were driven by $280 million of estimated tax payments for taxable gains on the sales of the Company's HOS business and its New York regulated operations, as well as the contribution of $45 million to the American Water Charitable Foundation.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows used in investing activities:

	For the Six Months Ended June 30,	
	2022	2021
(In millions)		
Net capital expenditures	$ (995)	$ (752)
Acquisitions	(240)	(39)
Net proceeds from sale of assets	608	—
Other investing activities, net (a)	(49)	(43)
Net cash used in investing activities	$ (676)	$ (834)

(a) Includes removal costs from property, plant and equipment retirements.

For the six months ended June 30, 2022, cash used in investing activities decreased $158 million, primarily due to proceeds of $608 million received from the sale of the Company's New York operations offset by increased payments for capital expenditures and acquisitions. The Company plans to invest approximately $2.5 billion across its footprint in 2022.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

	For the Six Months Ended June 30,	
	2022	2021
(In millions)		
Proceeds from long-term debt	$ 811	$ 1,102
Repayments of long-term debt	(7)	(364)
Repayments of term loan	—	(500)
Net short-term (repayments) borrowings with maturities less than three months	(164)	(176)
Debt issuance costs and make-whole premium on early debt redemption	(7)	(26)
Dividends paid	(228)	(209)
Other financing activities, net (a)	36	15
Net cash provided by (used in) financing activities	$ 441	$ (158)

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the six months ended June 30, 2022, cash provided by financing activities increased $599 million, primarily due to the repayment in full at maturity of the $500 million term loan during the first quarter of 2021 and repayments of long-term debt due to the prepayment of $327 million in aggregate principal amount of AWCC's outstanding senior notes during the second quarter of 2021. These changes were partially offset by lower proceeds from long-term debt.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On June 30, 2022, the Company's ratio was 0.61 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of July 27, 2022 as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. None of the Company's borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, energy, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 6—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

Financial condition of the Company, results of operations and cash flows, as reflected in the Company's Consolidated Financial statements, are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2021.

The Company had no derivative instruments, which are exposed to market risk, outstanding as of June 30, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

American Water maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2022.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of June 30, 2022, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended June 30, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Form 10-K in Part I, Item 3—Legal Proceedings, and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 in Part II, Item 1—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more.

Dunbar, West Virginia Water Main Break Class Action Litigation

On July 5, 2022, the Circuit Court entered an order certifying again a class to address at trial certain liability issues but not to consider damages. WVAWC is considering whether to challenge the Circuit Court's latest certification order.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in the Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A—Risk Factors in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended June 30, 2022. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through June 30, 2022, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
4.1	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.2	Officers' Certificate of American Water Capital Corp., dated May 5, 2022, establishing the terms and authorizing the issuance of the 4.450% Senior Notes due 2032 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 5, 2022).
*10.1	Offer Letter for Employment, dated April 27, 2022, between American Water Works Company, Inc. and John C. Griffith.
*10.2	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Stock Unit Grant Form for Non-Employee Directors.
*22.1	Guaranteed Securities.
*31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 27th day of July, 2022.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Chief Accounting Officer
(Principal Accounting Officer)

AMERICAN WATER

April 27, 2022

John C. Griffith
41 Whittredge Road
Summit, NJ 07901

Dear John:

On behalf of American Water Works Service Company, Inc., I am pleased to offer you the full-time position of Executive Vice President, Chief Financial Officer, reporting to M. Susan Hardwick, President and CEO, at our Camden, New Jersey headquarters office. The anticipated start date of your new position will be Monday, May 16, 2022. We are confident that you will find this new role to be personally rewarding and one in which you can make significant contributions to the company. ***The terms of this offer letter are subject to the recommendation of the Executive Development & Compensation Committee and the approval of the American Water Board of Directors.***

Safety, trust, teamwork, high performance, and environmental leadership define our culture – a culture where every employee feels valued and lives up to his or her potential. Creating an environment where differences are embraced and where every person feels engaged and included makes us safer, stronger, and more successful. We believe that our success is based upon our employees having a vested interest in our business. As a part of our team, you will be tasked with helping make a great company even better – in doing so, you will be rewarded for your contributions. The following is our offer to you:

Base Salary: Your annual salary will be approximately $725,000.00, which will be paid on a bi-weekly basis in accordance with American Water's standard payroll practices. The salary level for your position is 95. Your job performance will be reviewed annually as part of our performance management process, and you may be eligible for a merit increase in 2023.

APP: You are eligible to participate in American Water's Annual Performance Plan with a target award amount equal to 100% of your annual base salary. For 2022 you will be eligible for a pro-rated APP payout based on your date of hire. Awards from the Annual Performance Plan are based on several factors including company performance and attainment of individual performance objectives, and payments may be higher or lower than target.

LTPP: You are eligible to participate in the American Water Long Term Performance Plan (LTPP) and will receive a target opportunity with a fair value equal to 250% of your base salary as of grant date. Your 2022 LTPP grant will be issued and valued as of your date of hire, subject to approval of the Executive Development & Compensation Committee. This grant will reflect a full view grant, and as such, will not be prorated to reflect your start date of May 16, 2022. For reference purposes, awards are currently granted under the terms and conditions of the Company's 2017 Omnibus Equity Compensation Plan (the "Plan") and related grant documents, in the form of restricted stock units and performance stock units, as follows: 30% Restricted Stock Units, 35% performance stock units based on TSR ranking and 35% performance stock units based on an internal measure determined by the Committee. In the event of any conflict between your offer letter and the terms of the award grant documents and the Plan, the terms of the award documents and the Plan will govern. Please note that all employees in salary levels 70 and above are subject to the Company's Executive Stock Ownership Guidelines and Stock Retention Requirements, and you will be required to hold Company stock with a value of 3 times your base salary by May 16, 2027.

In addition, for so long as you remain CFO, equity awards granted to you on and after the date of this offer letter would include specific post-retirement continued vesting provisions applicable to that position. Under these provisions, if you remain CFO for at least three (3) consecutive years (beginning on the date your appointment as EVP and CFO is effective), your equity awards will continue to vest over the normal vesting schedule of the award following a separation of service based upon either normal retirement or early retirement, as follows:

In the event of a normal retirement, defined as having attained age 60 and five years of service, the award will continue to vest in full; and
In the event of an early retirement, defined as having attained age 55 and five years of service, 75 percent of the award will continue to vest.

AMERICAN WATER

Benefits: American Water offers a competitive benefits program for you and your eligible dependents. An outline of our benefits is attached for your review. Our benefit plans include medical, prescription drug, dental, vision, flexible spending accounts (Health and Dependent Care), employer paid life/disability insurance, voluntary life insurance, Healthy Solutions incentive based wellness program, employee assistance program and educational assistance. Your enrollment is effective the 1" day of the month after your hire date.

Defined Contribution Plan: You will be eligible to participate in the 401{k) Savings Plan and Defined Contribution plans effective the date of hire. Approximately one week after your hire date, you will receive a letter from Empower advising that you will be automatically enrolled into the plan at a 3% contribution level. If you do not enroll on your own, the automatic enrollment will take place 30 days from the date of the letter. You can stop or change your contribution percentage at any time.

American Water contributes on your behalf an amount equal to 5.25% of your base salary or hourly pay, regardless of whether you chose to make contributions to the 401(k) Plan. Your Defined Contributions will be invested in the same funds as you direct your 401(k) contributions to be invested. If you do not select an investment option, your account balance will be invested in the Vanguard Target Retirement Funds based on when you would attain age 65.

Non-Qualified Deferred Compensation: You will also be eligible to participate in our Non-Qualified Deferred Compensation Plan beginning in 2023, based on annual enrollment in December. The Company may make Employer Matching and Defined Contribution Account contributions as soon as administratively practicable after the end of the applicable plan year. Under the Non-Qualified Deferred Compensation Plan, Employer Matching contributions are immediately vested; Defined Contribution Account contributions will generally vest after five years of service.

Additional Considerations: You will receive a sign-on bonus of $950,000, within the first 30 days of your continuous employment, subject to applicable withholdings. This bonus is subject to repayment in full if you voluntarily leave the company prior to one year of service.

Relocation: You will be eligible for relocation benefits under American Water's relocation policy according to the parameters of our policy and eligibility criteria as set forth by the IRS. You will be required to sign
a Relocation Services Payback Agreement stating that if an employee resigns within 24 months of the effective date of their relocation, they are required to reimburse the relocation expenses to the Company on a pro-rated basis. The terms are
confidential between you and American Water. You have elected to receive in cash the lump sum value of the relocation plan in lieu of the services, which has a value of $120,000. That payment will be made to you within 30 days of your start date and is subject to all applicable withholdings.

Holidays/Vacation: You will be eligible for 25 days of paid vacation, 6 floating holidays and 8 fixed holidays per calendar year. Your time will be pro-rated for 2022.

Sick Days: You are eligible for 10 sick days annually. For the balance of 2022, you will be eligible for 10 sick days.

Executive Severance Policy: You will be an eligible participant under the executive severance policy which provides severance benefits to certain executives whose employment is involuntarily terminated by American Water for reasons other than cause, and other than in connection with a change of control. A copy of the Executive Severance policy has been provided with this offer.

AMERICAN WATER

Change of Control Severance Policy: You will be an eligible participant under the Change of Control Severance Policy which provides severance benefits to certain executives whose employment is involuntarily terminated for reasons other than. cause or if the executive resigns from employment for Good Reason (as defined therein), and such termination occurs within a period beginning on the date a Change of Control is completed and ending 24 months thereafter

This offer is contingent upon the successful completion and results of both a background check and a drug screen as well as approvals by the Committee and the American Water Board of Directors. You will be receiving an email from our vendor, CareerBuilder, on behalf of American Water Careers, asking you to complete information for the background check and drug screen. Please complete this information as quickly as possible, and report for your drug screening within 48 hours.

Additionally, as part of our new hire process, you will be asked to complete a Form 1-9 in compliance with the Immigration Reform and Control Act after the offer acceptance or no later than the first date of hire. Please refer to this link-Click Here and follow the instructions. If you experience technical difficulty with this link, please contact your Recruiter.

Your signature below indicates your acceptance of our offer and the terms of employment with American Water. Please review all attachments and sign and return the Confidentiality and Intellectual Property Agreements with your offer letter.

As you will be a Section 16 officer of the Company, American Water may be required to disclose your compensation and/or this offer letter in an SEC filing. Your signature below indicates your acknowledgment of this requirement of your position.

Your signature below indicates your acceptance of our offer and the terms of employment with American Water. Please review, sign and return a copy of this promotion letter.

John, we wish you the best of luck in your new role and future opportunities with American Water!

Sincerely,

M. Susan Hardwick
President, CEO and CFO
American Water

cc: Melanie Kennedy, Executive Vice President, Chief Human Resources Officer

I, John Griffith, understand that my employment with American Water is "at will," which means that I am not guaranteed employment or any particular job for any specified period of time. The Company or I may terminate my employment at any time, for any or no reason, with or without cause.

_____/s/ JOHN C. GRIFFITH_____April 26, 2022_____
Signature Date

AMERICAN WATER WORKS COMPANY, INC.

2017 OMNIBUS EQUITY COMPENSATION PLAN

STOCK UNIT GRANT

This STOCK UNIT GRANT, dated as of May 11, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Board of Directors of the Company (the "Board") has determined to grant each non-employee director of the Company on the date of the Company's 2022 Annual Meeting of Shareholders a stock unit grant that will be converted to shares of common stock of the Company, par value $0.01 per share, (the "Company Stock") at a later date;

WHEREAS, the Participant is a non-employee director on the Board; and

WHEREAS, the Board has determined that the stock unit grant granted to the Participant shall be issued under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") and the terms and conditions of such stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Stock Units"). Each Stock Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable distribution date, as described in Paragraph 4 below.

2. Stock Unit Account. The Company shall establish and maintain a Stock Unit account as a bookkeeping account on its records (the "Stock Unit Account") for the Participant and shall record in such Stock Unit Account the number of Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Stock Unit Account established for the Participant.

3. Vesting. The Participant shall be fully vested in the Stock Units credited to the Participant's Stock Unit Account pursuant to this Grant on the Date of Grant.

4. Distribution. The Stock Units shall be converted to shares of Company Stock and distributed by the Company within thirty (30) days following the earlier of (i) August 11, 2023 (the "Specified Date") (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), (ii) the Participant's separation from service (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code")) with the Company (the "Separation from Service Date"), or (iii) the date of a Change of Control (as defined below) (the "Change of Control Date"). At the time of distribution, all Stock Units shall be converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of this Grant, the term "Change of Control" shall have the same meaning as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or

effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Code and its corresponding regulations.

5. Deferrals. The Participant may make an irrevocable election to defer the Specified Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Stock Units, plus dividend equivalents earned on such Stock Units as described in Paragraph 6 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the deferred Specified Date cannot be earlier than five (5) years from the original Specified Date under Paragraph 4 (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Specified Date (or twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Specified Date, the Participant must elect to defer 100% of the Stock Units, including corresponding dividend equivalents, granted to the Participant under this Grant and complete the deferral election form provided to the Participant, in the form attached hereto as Exhibit A or as may subsequently modified in the discretion of the Board. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Separation from Service Date or Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant's Stock Units, plus corresponding dividend equivalents, will be made as a result of the occurrence of the Separation from Service Date or Change of Control Date, whichever is earlier. If a Specified Date is delayed one or more times pursuant to this Paragraph 5, the new Specified Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the earlier of the Specified Date (or the Deferred Date, if elected), Separation from Service Date or Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Stock Units credited to the Participant's Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Stock Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Stock Units, and, in the event of a Change of Control, the Board may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law. The Participant also hereby agrees to be bound by the terms and conditions of the Plan and this Grant. The Participant further agrees to be bound by the determinations and decisions of the Board with respect to this Grant and the Plan and the Participant's rights to benefits under this Grant and the Plan, and agrees that all such determinations and decisions of the Board shall be binding on the Participant,

his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) The obligation of the Company to deliver shares of Company Stock upon the distribution of the Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board. The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(b) As a condition to receive any shares of Company Stock upon conversion of the Stock Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and its Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the distribution of the Stock Units shall not be transferred or disposed of by any means until the Participant owns enough shares of Company Stock, or shares underlying stock units convertible into shares of Company Stock, or time-based restricted Company Stock, to meet or exceed five (5) times the Participant's annual cash retainer, which ownership requirement must be satisfied by the fifth (5th) anniversary of the Participant's commencement of service as a director on the Board.

10. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Board in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Board shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder and the Participant's acceptance of this Grant is the Participant's agreement to be bound by the interpretations and decisions of the Board with respect to this Grant and the Plan.

11. No Rights as Shareholder. The Participant shall not have any rights as a shareholder of the Company, including the right to any cash dividends (except with respect to the

dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Stock Units.

12. No Rights to Continued Service. This Grant shall not confer upon the Participant any right to be retained in the service of the Employer (as defined in the Plan) and shall not interfere in any way with the right to terminate the Participant's service at any time. The right to terminate at will the Participant's service at any time for any reason is specifically reserved.

13. Assignment and Transfers. No Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Stock Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Stock Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

14. Withholding. To the extent required by applicable law, the Participant shall be required to pay to the Company, or make other arrangements satisfactory to the Company to provide for the payment of, any federal, state, local or other taxes that the Company is required to withhold with respect to the Grant, vesting or distribution of the Stock Units and dividend equivalents.

15. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

16. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

17. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the records of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by facsimile, e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means), or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

18. Section 409A of the Code.

(a) This Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered to avoid any penalty sanctions under section 409A of the Code. If any distribution cannot be provided or made at the time specified herein or as elected by the Participant, then such distribution shall be provided in full at the earliest time thereafter when such sanctions cannot be imposed. Except according to a valid election made pursuant to Paragraph 5 above, in no event may the Participant designate the calendar year of distribution.

(b) Notwithstanding any provision to the contrary in this Grant, if any of the distributions under this Grant are payable to the Participant upon separation from service (within the meaning of section 409A of the Code) from the Employer, then if at the time of the Participant's separation from service the Participant is a "specified employee" (as such term is defined in section 409A(2)(B)(i) of the Code and its corresponding regulations) as determined by the Company (or any successor thereto) in its sole discretion in accordance with its specified employee determination policy, then all distributions to the Participant pursuant to this Grant shall be postponed for a period of six (6) months following the Participant's separation from service from the Employer. The postponed amounts shall be distributed to the Participant in a lump sum within thirty (30) days after the date that is six (6) months following the Participant's separation from service from the Employer. If the Participant dies during such six (6)-month period and prior to the distribution of the postponed amounts hereunder, the amounts delayed on account of section 409A of the Code shall be distributed to the personal representative of the Participant's estate within sixty (60) days after the date of the Participant's death, and any amounts not delayed shall be distributed to the personal representative of the Participant's estate in accordance with the terms of this Grant.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick



Its: President, CEO and CFO

EXHIBIT A

SUBSEQUENT DEFERRAL ELECTION FORM

PART A. TIME OF DISTRIBUTION

I, _____, (the "Participant") hereby irrevocably elect to have all of the Stock Units, plus corresponding dividend equivalents, (the "Deferred Units") granted to me pursuant to the Stock Unit Grant, dated as of May 11, 2022, (the "Grant") under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") that would have been distributed by American Water Works Company, Inc. to me on the Specified Date (as defined in the Grant), instead be distributed to me on the deferred date designated below (the "Deferred Date"), which date must be at least five (5) years later than the Specified Date, and this election is at least twelve (12) months prior to the Specified Date (to make this deferral election you must defer all of the Stock Units, plus corresponding dividend equivalents, granted to you pursuant the Grant, meaning there is no partial deferral):

Number of Stock Units, and Dividend Equivalents, to be Further Deferred (All Must Be Deferred)	**Original Specified Date** (Election Must Be Made at Least 12 Months Prior to the Specified Date)	**Deferred Date** (Must be a date that is at least 5 years later than the Original Specified Date)
100%	August 11, 2023	

PART B. ACKNOWLEDGMENT

I understand and expressly agree that (i) the Deferred Date for the Deferred Units shall be the date I specified in Part A above (which is a date that is at least five (5) years later than the original Specified Date), and (ii) I will not be entitled to receive distribution of the Deferred Units on an earlier date, except in the event that the Separation from Service Date (as defined in the Grant) or the Change of Control Date (as defined in the Grant) occurs prior to the Deferred Date. I also understand and expressly agree that this deferral election is irrevocable, is being made at least twelve (12) months prior to the original Specified Date, and shall not take effect until twelve (12) months after the date on which I make this election. I further understand and agree that the terms and conditions of the Grant and the Plan are hereby incorporated into this form. Lastly, I understand and agree that this deferral election applies to 100% of the Stock Units, and corresponding dividend equivalents, granted to me pursuant to the Grant.

PARTICIPANT SIGNATURE

Participant: _____ Date: _____

Receipt Acknowledged:

By: _____

Title: _____ Date: _____

AMERICAN WATER WORKS COMPANY, INC.

List of Securities Registered Under the Securities Act of 1933 (the "Securities Act") and Entitled to the Benefit of the Support Agreement between American Water Capital Corp. ("AWCC") and American Water Works Company, Inc. ("parent company")

The following securities have been issued by AWCC and registered under the Securities Act, and have the benefit of that certain Support Agreement, as amended, by and between AWCC and parent company, which serves as the functional equivalent of a full and unconditional guarantee by parent company of the payment obligations of AWCC thereunder:

3.850% Senior Notes due 2024
3.400% Senior Notes due 2025
3.000% Senior Notes due 2026
2.950% Senior Notes due 2027
3.750% Senior Notes due 2028
3.450% Senior Notes due 2029
2.800% Senior Notes due 2030
2.300% Senior Notes due 2031
4.450% Senior Notes due 2032
6.593% Senior Notes due 2037
4.300% Senior Notes due 2042
4.300% Senior Notes due 2045
4.000% Senior Notes due 2046
3.750% Senior Notes due 2047
4.200% Senior Notes due 2048
4.150% Senior Notes due 2049
3.450% Senior Notes due 2050
3.250% Senior Notes due 2051

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, John C. Griffith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2022

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)
July 27, 2022

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John C. Griffith, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
July 27, 2022

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of April 21, 2022
Common Stock, par value $0.01 per share	**181,753,276**

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* * *

Throughout this Quarterly Report on Form 10-Q ("Form 10-Q"), unless the context otherwise requires, references to the "Company" and "American Water" mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the "parent company" mean American Water Works Company, Inc., without its subsidiaries.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company's future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company's growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company's California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company's ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company's ability to execute its current and long-term business, operational and capital expenditures strategies; the Company's ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company's stated environmental and sustainability goals, including its greenhouse gas emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the COVID-19 pandemic; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company's actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the ongoing COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors;
- changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;

- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
  - acquiring, closing and successfully integrating regulated operations and market-based businesses;
  - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts with the U.S. government; and
  - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS") and its New York subsidiary, including:
  - the Company's ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company from time to time under the seller promissory note when due; and
  - the ability of the Company to redeploy successfully and timely the net proceeds of these transactions into the Company's Regulated Businesses (as defined below);
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs, and (iii) the Company's ability to utilize its state income tax net operating loss carryforwards;
- migration of customers into or out of the Company's service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company's goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract qualified employees;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	March 31, 2022	December 31, 2021
ASSETS		
Property, plant and equipment	$ 27,781	$ 27,413
Accumulated depreciation	(6,383)	(6,329)
Property, plant and equipment, net	21,398	21,084
Current assets:		
Cash and cash equivalents	75	116
Restricted funds	21	20
Accounts receivable, net of allowance for uncollectible accounts of $72 and $75, respectively	266	271
Unbilled revenues	254	248
Materials and supplies	71	57
Assets held for sale	—	683
Other	166	159
Total current assets	853	1,554
Regulatory and other long-term assets:		
Regulatory assets	1,049	1,051
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	91	92
Goodwill	1,139	1,139
Postretirement benefit assets	203	193
Other	241	242
Total regulatory and other long-term assets	3,443	3,437
Total assets	$ 25,694	$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	March 31, 2022	December 31, 2021
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 187,095,267 and 186,880,413 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,796	6,781
Retained earnings	1,083	925
Accumulated other comprehensive loss	(44)	(45)
Treasury stock, at cost (5,342,229 and 5,269,324 shares, respectively)	(377)	(365)
Total common shareholders' equity	7,460	7,298
Long-term debt	10,347	10,341
Redeemable preferred stock at redemption value	3	3
Total long-term debt	10,350	10,344
Total capitalization	17,810	17,642
Current liabilities:		
Short-term debt	321	584
Current portion of long-term debt	57	57
Accounts payable	175	235
Accrued liabilities	538	701
Accrued taxes	285	176
Accrued interest	102	88
Liabilities related to assets held for sale	—	83
Other	170	217
Total current liabilities	1,648	2,141
Regulatory and other long-term liabilities:		
Advances for construction	300	284
Deferred income taxes and investment tax credits	2,381	2,421
Regulatory liabilities	1,577	1,600
Operating lease liabilities	78	80
Accrued pension expense	276	285
Other	175	180
Total regulatory and other long-term liabilities	4,787	4,850
Contributions in aid of construction	1,449	1,442
Commitments and contingencies (See Note 11)		
Total capitalization and liabilities	$ 25,694	$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations (Unaudited)
(In millions, except per share data)

	For the Three Months Ended March 31,	
	2022	2021
Operating revenues	$ 842	$ 888
Operating expenses:		
Operation and maintenance	364	419
Depreciation and amortization	158	157
General taxes	74	83
Total operating expenses, net	596	659
Operating income	246	229
Other income (expense):		
Interest expense	(100)	(98)
Interest income	13	—
Non-operating benefit costs, net	19	20
Other, net	15	4
Total other (expense) income	(53)	(74)
Income before income taxes	193	155
Provision for income taxes	35	22
Net income attributable to common shareholders	$ 158	$ 133
Basic earnings per share:		
Net income attributable to common shareholders	$ 0.87	$ 0.73
Diluted earnings per share:		
Net income attributable to common shareholders	$ 0.87	$ 0.73
Weighted-average common shares outstanding:		
Basic	182	181
Diluted	182	182

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended March 31,	
	2022	2021
Net income attributable to common shareholders	$ 158	$ 133
Other comprehensive income, net of tax:		
Defined benefit pension plan actuarial loss, net of tax of $0 for each of the three months ended March 31, 2022 and 2021	1	1
Net other comprehensive income	1	1
Comprehensive income attributable to common shareholders	$ 159	$ 134

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Three Months Ended March 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 158	$ 133
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	158	157
Deferred income taxes and amortization of investment tax credits	(61)	26
Provision for losses on accounts receivable	4	11
Pension and non-pension postretirement benefits	(12)	(10)
Other non-cash, net	(3)	(41)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(6)	26
Pension and non-pension postretirement benefit contributions	(19)	(9)
Accounts payable and accrued liabilities	(110)	(57)
Other assets and liabilities, net	45	(57)
Net cash provided by operating activities	154	179
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(424)	(342)
Acquisitions, net of cash acquired	(5)	(3)
Net proceeds from sale of assets	608	—
Removal costs from property, plant and equipment retirements, net	(20)	(18)
Net cash provided by (used in) investing activities	159	(363)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	11	2
Repayments of long-term debt	(5)	(25)
Repayments of term loan	—	(500)
Net short-term (repayments) borrowings with maturities less than three months	(263)	334
Remittances from issuances of employee stock plans and direct stock purchase plan, net of taxes paid of $12 and $15 for the three months ended March 31, 2022 and 2021, respectively	(8)	(11)
Advances and contributions in aid of construction, net of refunds of $3 and $6 for the three months ended March 31, 2022 and 2021, respectively	21	7
Dividends paid	(109)	(100)
Net cash used in financing activities	(353)	(293)
Net decrease in cash, cash equivalents and restricted funds	(40)	(477)
Cash, cash equivalents and restricted funds at beginning of period	136	576
Cash, cash equivalents and restricted funds at end of period	$ 96	$ 99
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	$ 315	$ 223

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock					Treasury Stock		
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	Total Shareholders' Equity
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298
Net income attributable to common shareholders	—	—	—	158	—	—	—	158
Common stock issuances (a)	0.2	—	15	—	—	—	(12)	3
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2022	187.1	$ 2	$ 6,796	$ 1,083	$ (44)	(5.3)	$ (377)	$ 7,460

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

	Common Stock					Treasury Stock		
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	Total Shareholders' Equity
Balance as of December 31, 2020	186.5	$ 2	$ 6,747	$ 102	$ (49)	(5.2)	$ (348)	$ 6,454
Net income attributable to common shareholders	—	—	—	133	—	—	—	133
Common stock issuances (a)	0.2	—	10	—	—	(0.1)	(15)	(5)
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2021	186.7	$ 2	$ 6,757	$ 235	$ (48)	(5.3)	$ (363)	$ 6,583

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the "Company" or "American Water"), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q ("Form 10-Q"). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of March 31, 2022, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2021 ("Form 10-K"), which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company's operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2022:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022	Either modified retrospective or fully retrospective	The standard did not have a material impact on its Consolidated Financial Statements.
Disclosures by Business Entities about Government Assistance	The amendments in this update require additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies.	January 1, 2022	Either prospective or retrospective	The standard did not have a material impact on its Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of March 31, 2022:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Troubled debt restructurings and vintage disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings ("TDRs") by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023; early adoption permitted	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding.

Presented in the table below are the changes in the allowance for uncollectible accounts for the three months ended March 31:

	2022	2021
Balance as of January 1	$ (75)	$ (60)
Amounts charged to expense	(4)	(11)
Amounts written off	7	—
Less: Allowance for uncollectible accounts included in assets held for sale (a)	—	4
Balance as of March 31	$ (72)	$ (67)

(a) This portion of the allowance for uncollectible accounts is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of excess accumulated deferred income tax ("EADIT") that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the current period:

	During the Three Months Ended March 31,	
(In millions)	2022	2021
General rate cases by state:		
West Virginia (effective February 25, 2022)	$ 15	$ —
California (effective January 1, 2022 and January 1, 2021)	13	22
Pennsylvania (effective January 1, 2022 and January 28, 2021)	20	70
Total general rate cases	$ 48	$ 92
Infrastructure surcharges by state:		
Indiana (effective March 21, 2022 and March 17, 2021)	$ 8	$ 8
West Virginia (effective March 1, 2022 and January 1, 2021)	3	5
Missouri (effective February 1, 2022)	12	—
Illinois (effective January 1, 2022 and January 1, 2021)	6	7
Pennsylvania (effective January 1, 2021)	—	8
Tennessee (effective January 1, 2021)	—	3
Total infrastructure surcharges	$ 29	$ 31

Effective April 1, 2022, the Company's Pennsylvania subsidiary implemented infrastructure surcharges for annualized incremental revenues of $2 million.

On February 24, 2022, the Company's West Virginia subsidiary ("WVAWC") was authorized additional annual revenues of $15 million in its general rate case, effective February 25, 2022, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The EADIT reduction in revenues is $2 million and the exclusion for infrastructure surcharges is $10 million. Staff of the WV Public Service Commission moved for reconsideration of the Commission's final order on several grounds. The Company filed its response to the Staff's Petition for Reconsideration on March 28, 2022 in support of the Commission authorized revenue requirement. The matter is currently pending before the Commission for its consideration.

On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which is retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of $22 million, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $4 million and is offset by a like reduction in income tax expense. On February 16, 2022, the Company's California subsidiary received approval to increase rates by $13 million in 2022 escalation increases, excluding $4 million of reductions related to the TCJA, which is retroactive to January 1, 2022.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company filed its brief in support of the appeal on March 4, 2022. Response briefs are due by May 23, 2022. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, effective January 28, 2021, excluding agreed to reductions in revenues of $19 million for EADIT as a result of the TCJA. The overall increase, net of TCJA reductions, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step was effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the average rate assumptions method, and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annual reduction to revenue is comprised of both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting $71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On January 14, 2022, the Company's New Jersey subsidiary filed a general rate case requesting $110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Public hearings were held on April 6, 2022. Settlement conferences are scheduled to commence in May 2022 with evidentiary hearings expected to begin in September 2022.

On December 1, 2021, the Company's Kentucky subsidiary filed a wastewater rate case requesting additional revenues of $1 million, excluding proposed reductions for EADIT as a result of TCJA. The Company's Kentucky subsidiary requested a four-step rate increase for their wastewater operations with effective dates of June 1, 2022, June 1, 2023, June 1, 2024 and June 1, 2025 for annual amounts of less than $1 million each year. The Company's Kentucky subsidiary filed their wastewater case under the alternative rate filing process for smaller utilities which calculates an operating ratio of 88% rather than a return on equity.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting $15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On August 18, 2021, the Company's Hawaii subsidiary filed a general rate case requesting $2 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA. On April 11, 2022, the Company and the Division of Consumer Advocacy submitted a joint letter to the Hawaii Public Utilities Commission indicating that the parties had, in principle, reached a settlement that would resolve all disputed issues in the case. In the joint letter, the parties also requested revisions to the procedural schedule.

The Company's California subsidiary submitted its application on May 3, 2021 to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the fourth quarter of 2022.

Pending Infrastructure Surcharge Filings

On March 4, 2022, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting $19 million in additional annualized revenues.

On March 1, 2022, the Company's Kentucky subsidiary filed an infrastructure surcharge proceeding requesting $3 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that will require the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021.

Note 4: Revenue Recognition

Disaggregated Revenues

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company also operates other market-based businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, collectively included within "Market-Based Businesses and Other."

Presented in the table below are operating revenues disaggregated for the three months ended March 31, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 428	$ —	$ 428
Commercial	153	—	153
Fire service	36	—	36
Industrial	36	—	36
Public and other	57	—	57
Total water services	710	—	710
Wastewater services:			
Residential	41	—	41
Commercial	10	—	10
Industrial	1	—	1
Public and other	3	—	3
Total wastewater services	55	—	55
Miscellaneous utility charges	9	—	9
Alternative revenue programs	—	2	2
Lease contract revenue	—	2	2
Total Regulated Businesses	774	4	778
Market-Based Businesses and Other	64	—	64
Total operating revenues	$ 838	$ 4	$ 842

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* ("ASC 606"), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the three months ended March 31, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 430	$ —	$ 430
Commercial	144	—	144
Fire service	37	—	37
Industrial	32	—	32
Public and other	44	—	44
Total water services	687	—	687
Wastewater services:			
Residential	36	—	36
Commercial	9	—	9
Industrial	1	—	1
Public and other	4	—	4
Total wastewater services	50	—	50
Miscellaneous utility charges	8	—	8
Alternative revenue programs	—	9	9
Lease contract revenue	—	1	1
Total Regulated Businesses	745	10	755
Market-Based Businesses and Other	133	—	133
Total operating revenues	$ 878	$ 10	$ 888

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In Market-Based Businesses and Other, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts and home warranty protection program contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $78 million and $71 million are included in unbilled revenues on the Consolidated Balance Sheets as of March 31, 2022 and December 31, 2021, respectively. There were $18 million of contract assets added during the three months ended March 31, 2022, and $11 million of contract assets were transferred to accounts receivable during the same period. There were $19 million of contract assets added during the three months ended March 31, 2021, and $8 million of contract assets were transferred to accounts receivable during the same period.

Contract liabilities of $20 million and $19 million are included in other current liabilities on the Consolidated Balance Sheets as of March 31, 2022 and December 31, 2021, respectively. There were $36 million of contract liabilities added during the three months ended March 31, 2022, and $35 million of contract liabilities were recognized as revenue during the same period. There were $57 million of contract liabilities added during the three months ended March 31, 2021, and $48 million of contract liabilities were recognized as revenue during the same period.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of March 31, 2022, the Company's operation and maintenance ("O&M") and capital improvement contracts in Market-Based Businesses and Other have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of $6.2 billion as of March 31, 2022, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2022 and 2038 and have RPOs of $580 million as of March 31, 2022, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures

Regulated Businesses

During the three months ended March 31, 2022, the Company closed on the acquisition of four regulated water and wastewater systems for a total aggregate purchase price of $5 million. Assets acquired from these acquisitions consisted principally of utility plant.

On April 6, 2021, the Company's Pennsylvania subsidiary entered into an Asset Purchase Agreement with the York City Sewer Authority (the "Seller") and the City of York, with respect to the purchase of the Seller's public wastewater collection and treatment system assets (the "System Assets"). On April 14, 2022, the Pennsylvania Public Utility Commission ("PaPUC") approved the Company's Pennsylvania subsidiary's application to acquire the System Assets from the Seller for a purchase price of $235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. The System Assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. Assuming no successful contest of the PaPUC's approval occurs within 30 days thereafter, this approval would satisfy a significant remaining condition to the closing of the transaction, which is expected to occur by or before mid-June 2022.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. During the first quarter of 2022, the Company recognized a loss on sale of $2 million.

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for $6 million.

Sale of Homeowner Services Group

On December 9, 2021, the Company sold all of the equity interests in subsidiaries that comprised the Company's Homeowner Services Group ("HOS") to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately $1.275 billion, resulting in pre-tax gain on sale of $748 million during the fourth quarter of 2021. The consideration was comprised of $480 million in cash, a seller promissory note issued by the Buyer in the principal amount of $720 million, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 13—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. During the first quarter of 2022, the Company recorded a post-close adjustment totaling approximately $10 million pre-tax, which is included in Other, net on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized $13 million of interest income during the first quarter of 2022 from the seller note.

The Company and the Buyer also entered into a revenue share agreement, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized $2 million of income during the first quarter of 2022 from the revenue share agreement, which is included in Other, net on the Consolidated Statements of Operations.

The pro forma impact of the Company's acquisitions was not material to the Consolidated Statements of Operations for the periods ended March 31, 2022 and 2021.

Note 6: Shareholders' Equity

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the three months ended March 31, 2022 and 2021, respectively:

	Defined Benefit Pension Plans				
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Loss on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance as of December 31, 2021	$ (107)	$ 1	$ 67	$ (6)	$ (45)
Amounts reclassified from accumulated other comprehensive loss	—	—	1	—	1
Net other comprehensive income	—	—	1	—	1
Balance as of March 31, 2022	$ (107)	$ 1	$ 68	$ (6)	$ (44)
Balance as of December 31, 2020	$ (106)	$ 1	$ 63	$ (7)	$ (49)
Amounts reclassified from accumulated other comprehensive loss	—	—	1	—	1
Net other comprehensive income	—	—	1	—	1
Balance as of March 31, 2021	$ (106)	$ 1	$ 64	$ (7)	$ (48)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends

On March 1, 2022, the Company paid a quarterly cash dividend of $0.6025 per share to shareholders of record as of February 8, 2022.

On April 27, 2022, the Company's Board of Directors declared a quarterly cash dividend payment of $0.6550 per share, payable on June 1, 2022 to shareholders of record as of May 10, 2022. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 7: Long-Term Debt

During the three months ended March 31, 2022, American Water Capital Corp. ("AWCC") and the Company's regulated subsidiaries issued in the aggregate $11 million of private activity bonds and government funded debt in multiple transactions with annual interest rates of 0.74%, maturing in 2041. During the three months ended March 31, 2022, AWCC and the Company's regulated subsidiaries made sinking fund payments for, or repaid at maturity, $5 million in aggregate principal amount of outstanding long-term debt, with annual interest rates ranging from 0.00% to 12.25%, a weighted average interest rate of 3.06%, and maturity dates ranging from 2022 to 2048.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling $375 million, to reduce interest rate exposure on debt expected to be issued in 2022. These treasury lock agreements have an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

Note 8: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. Additionally, proceeds from the aforementioned sales of HOS and the Company's New York subsidiary will be used primarily for capital investment in the Regulated Businesses. The revolving credit facility provides $2.25 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is March 21, 2025. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. As of March 31, 2022 and December 31, 2021, there were no borrowings outstanding under the revolving credit facility.

Short-term debt consists of commercial paper and credit facility borrowings totaling $321 million and $584 million as of March 31, 2022 and December 31, 2021, respectively. The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 0.26% and 0.25% at March 31, 2022 and December 31, 2021, respectively. As of March 31, 2022 and December 31, 2021, there were no commercial paper or credit facility borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of March 31, 2022		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(321)	(76)	(397)
Remaining availability as of March 31, 2022	$ 1,779	$ 74	$ 1,853

(a) Total remaining availability of $1.85 billion as of March 31, 2022 may be accessed through revolver draws.

	As of December 31, 2021		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	$ 1,516	$ 74	$ 1,590

(a) Total remaining availability of $1.59 billion as of December 31, 2021 may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of March 31, 2022 and December 31, 2021, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of March 31, 2022	$ 75	$ 1,853	$ 1,928
Available liquidity as of December 31, 2021	$ 116	$ 1,590	$ 1,706

Note 9: Income Taxes

The Company's effective income tax rate was 18.1% and 14.2% for the three months ended March 31, 2022 and 2021, respectively. The Company's effective income tax rate reflects the amortization of EADIT pursuant to regulatory orders.

Note 10: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit credit:

	For the Three Months Ended March 31,	
	2022	2021
Components of net periodic pension benefit credit:		
Service cost	$ 8	$ 9
Interest cost	16	17
Expected return on plan assets	(31)	(32)
Amortization of prior service credit	(1)	(1)
Amortization of actuarial loss	5	7
Net periodic pension benefit credit	$ (3)	$ —
Components of net periodic other postretirement benefit credit:		
Service cost	$ 1	$ 1
Interest cost	3	2
Expected return on plan assets	(5)	(5)
Amortization of prior service credit	(8)	(8)
Net periodic other postretirement benefit credit	$ (9)	$ (10)

The Company contributed $9 million for the funding of its defined benefit pension plans for each of the three months ended March 31, 2022 and 2021. There were $10 million of contributions for the funding of the Company's other postretirement benefit plans for the three months ended March 31, 2022 and no such contributions for the three months ended March 31, 2021. The Company expects to make pension contributions to the plan trusts of $28 million during the remainder of 2022.

Note 11: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of March 31, 2022, the Company has accrued approximately $6 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $3 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 11—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company-affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the $126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is $19 million. As of March 31, 2022, $0.5 million of the aggregate Settlement amount of $126 million has been reflected in accrued liabilities, and $0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets. The amount reflected in accrued liabilities as of March 31, 2022 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund's appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys' fees and claims administration costs. The Company funded WVAWC's contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. On January 28, 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 16, 2021, oral argument was heard by the Circuit Court on the issue of addressing the Supreme Court of Appeals' remand. This matter remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. The court has entered an agreed scheduling order, which sets a hearing in October 2022 to address the question of class certification.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order") approving a deadline of December 31, 2021 for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the 2009 Order and the 2016 Order.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated incurred costs plus an allowance for funds used during construction ("AFUDC"), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am has incurred $192 million in aggregate costs as of March 31, 2022 related to the Water Supply Project, which includes $50 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and on November 29, 2021, Cal Am filed an application with the CPUC seeking review and approval of the amended and restated water purchase agreement. Cal Am is also requesting rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This amount is in addition to, and consistent in regulatory treatment with, the prior $50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the "Coastal Commission"), as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. Cal Am responded with the requested additional information on January 11, 2022, and on February 8, 2022, the Coastal Commission requested additional information. The original jurisdiction application remains pending.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirements contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources, sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 12: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted EPS calculations:

	For the Three Months Ended March 31,	
	2022	2021
Numerator:		
Net income attributable to common shareholders	$ 158	$ 133
Denominator:		
Weighted-average common shares outstanding—Basic	182	181
Effect of dilutive common stock equivalents	—	1
Weighted-average common shares outstanding—Diluted	182	182

The effect of dilutive common stock equivalents is related to outstanding stock options, restricted stock units ("RSUs") and performance stock units ("PSUs") granted under the Company's 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company's 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three months ended March 31, 2022 and 2021, because their effect would have been anti-dilutive under the treasury stock method.

Note 13: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note from the sale of HOS is $720 million as of March 31, 2022 and December 31, 2021. This amount represents the principal amount owed under the loan. The fair values of the seller note, including any impact of interest rates, approximated $700 million and $720 million as March 31, 2022 and December 31, 2021, respectively. The seller note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of March 31, 2022				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt (excluding finance lease obligations)	10,404	9,104	55	1,522	10,681

	As of December 31, 2021				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 4	$ —	$ —	$ 6	$ 6
Long-term debt (excluding finance lease obligations)	10,396	10,121	60	1,637	11,818

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of March 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 21	$ —	$ —	$ 21
Rabbi trust investments	22	—	—	22
Deposits	27	—	—	27
Other investments	19	—	—	19
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	89	—	72	161
Liabilities:				
Deferred compensation obligations	25	—	—	25
Total liabilities	25	—	—	25
Total assets	$ 64	$ —	$ 72	$ 136

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 21	$ —	$ —	$ 21
Rabbi trust investments	23	—	—	23
Deposits	27	—	—	27
Other investments	17	—	—	17
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	88	—	72	160
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total assets	$ 61	$ —	$ 72	$ 133

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no significant mark-to-market derivatives outstanding as of March 31, 2022.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Contingent cash payment from the sale of HOS—The Company's contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other long-term assets on the Consolidated Balance Sheets. The fair value of the contingent cash payment is estimated using the probability of the outcome of receipt of the $75 million, a Level 3 input.

Note 14: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's right-of-use ("ROU") assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 38 years, five years, and five years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $146 million as of March 31, 2022 and December 31, 2021. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $3 million in 2022 and $4 million in 2023 through 2026, and $48 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were $3 million for the three months ended March 31, 2022 and March 31, 2021, respectively.

For the three months ended March 31, 2022, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, was $3 million. For the three months ended March 31, 2022, there were ROU assets obtained in exchange for new operating lease liabilities of $1 million.

As of March 31, 2022, the weighted-average remaining lease term of the finance lease and operating leases were four years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at March 31, 2022 are $9 million in 2022, $9 million in 2023, $8 million in 2024, $8 million in 2025, $7 million in 2026 and $88 million thereafter. At March 31, 2022, imputed interest was $43 million.

Note 15: Segment Information

The Company's operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. "Market-Based Businesses and Other" includes market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions and fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Market-Based Businesses and Other as they are excluded from segment performance measures evaluated by management.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as "Market-Based Businesses and Other." Segment results for the three months ended March 31, 2021 have been adjusted retrospectively to reflect this change.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended March 31, 2022		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	$ 778	$ 64	$ 842
Depreciation and amortization	155	3	158
Total operating expenses, net	538	58	596
Interest expense	(70)	(30)	(100)
Interest income	—	13	13
Income before income taxes	196	(3)	193
Provision for income taxes	36	(1)	35
Net income attributable to common shareholders	160	(2)	158
Total assets	22,973	2,721	25,694
Cash paid for capital expenditures	422	2	424

	As of or for the Three Months Ended March 31, 2021		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	$ 755	$ 133	$ 888
Depreciation and amortization	147	10	157
Total operating expenses, net	543	116	659
Interest expense	(71)	(27)	(98)
Interest income	—	—	—
Income before income taxes	163	(8)	155
Provision for income taxes	28	(6)	22
Net income attributable to common shareholders	135	(2)	133
Total assets	22,032	2,493	24,525
Cash paid for capital expenditures	338	4	342

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company's Form 10-K for the year ended December 31, 2021. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements" and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). The Company also operates other market-based businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, collectively included within "Market-Based Businesses and Other." See Part I, Item 1—Business in the Company's Form 10-K for additional information.

Financial Results

For the three months ended March 31, 2022, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), were $0.87, an increase of $0.14 per diluted share, as compared to the same period in the prior year. This increase was primarily driven by continued growth in the Regulated Businesses from infrastructure investment, acquisitions and organic growth. Also, included in 2022 results is $0.06 per share from interest income earned on the seller note and income earned on the revenue share agreement from the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. The Company plans to invest approximately $2.5 billion across its footprint in 2022. During the first three months of 2022, the Company invested $437 million, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- $430 million capital investment in the Regulated Businesses, the majority for infrastructure improvements and replacements; and
- $5 million to fund acquisitions in the Regulated Businesses, which added approximately 1,800 water and wastewater customers, in addition to approximately 3,700 customers added through organic growth.

On April 6, 2021, the Company's Pennsylvania subsidiary entered into an Asset Purchase Agreement with the York City Sewer Authority (the "Seller") and the City of York, with respect to the purchase of the Seller's public wastewater collection and treatment system assets (the "System Assets"). On April 14, 2022, the Pennsylvania Public Utility Commission ("PaPUC") approved the Company's Pennsylvania subsidiary's application to acquire the System Assets from the Seller for a purchase price of $235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. The System Assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. Assuming no successful contest of the PaPUC's approval occurs within 30 days thereafter, this approval would satisfy a significant remaining condition to the closing of the transaction, which is expected to occur by or before mid-June 2022.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

As of March 31, 2022, the Company has entered into agreements for pending acquisitions in the Regulated Businesses, including the York City Sewer Authority and Egg Harbor City agreements discussed above, to add approximately 77,300 additional customers.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash.

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for $6 million.

Operational Excellence

The Company's adjusted regulated O&M efficiency ratio, which is used as a measure of the operating performance of the Regulated Businesses, was 33.9% for the twelve months ended March 31, 2022, as compared to 34.1% for the twelve months ended March 31, 2021. The ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure, and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

	For the Twelve Months Ended March 31,	
(Dollars in millions)	**2022**	**2021**
Total operation and maintenance expenses	$ 1,723	$ 1,658
Less:		
Operation and maintenance expenses—Market-Based Businesses and Other	403	378
Total operation and maintenance expenses—Regulated Businesses	1,320	1,280
Less:		
Regulated purchased water expenses	155	152
Allocation of non-operation and maintenance expenses	29	43
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,136	$ 1,085
Total operating revenues	$ 3,881	$ 3,822
Less:		
Operating revenues—Market-Based Businesses and Other	474	532
Total operating revenues—Regulated Businesses	3,407	3,290
Less:		
Regulated purchased water revenues (a)	155	152
Revenue reductions from the amortization of EADIT	(102)	(46)
Adjusted operating revenues—Regulated Businesses (ii)	$ 3,354	$ 3,184
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.9 %	34.1 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the current period:

	During the Three Months Ended March 31,	
(In millions)	**2022**	**2021**
General rate cases by state:		
West Virginia (effective February 25, 2022)	$ 15	$ —
California (effective January 1, 2022 and January 1, 2021)	13	22
Pennsylvania (effective January 1, 2022 and January 28, 2021)	20	70
Total general rate cases	$ 48	$ 92
Infrastructure surcharges by state:		
Indiana (effective March 21, 2022 and March 17, 2021)	$ 8	$ 8
West Virginia (effective March 1, 2022 and January 1, 2021)	3	5
Missouri (effective February 1, 2022)	12	—
Illinois (effective January 1, 2022 and January 1, 2021)	6	7
Pennsylvania (effective January 1, 2021)	—	8
Tennessee (effective January 1, 2021)	—	3
Total infrastructure surcharges	$ 29	$ 31

Effective April 1, 2022, the Company's Pennsylvania subsidiary implemented infrastructure surcharges for annualized incremental revenues of $2 million.

On February 24, 2022, the Company's West Virginia subsidiary was authorized additional annual revenues of $15 million in its general rate case, effective February 25, 2022, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The EADIT reduction in revenues is $2 million and the exclusion for infrastructure surcharges is $10 million. Staff of the WV Public Service Commission moved for reconsideration of the Commission's final order on several grounds. The Company filed its response to the Staff's Petition for Reconsideration on March 28, 2022 in support of the Commission authorized revenue requirement. The matter is currently pending before the Commission for its consideration.

On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which is retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of $22 million, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $4 million and is offset by a like reduction in income tax expense. On February 16, 2022, the Company's California subsidiary received approval to increase rates by $13 million in 2022 escalation increases, excluding $4 million of reductions related to the TCJA, which is retroactive to January 1, 2022.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company filed its brief in support of the appeal on March 4, 2022. Response briefs are due by May 23, 2022. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, effective January 28, 2021, excluding agreed to reductions in revenues of $19 million for EADIT as a result of the TCJA. The overall increase, net of TCJA reductions, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step was effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the average rate assumptions method, and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annual reduction to revenue is comprised of both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting $71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On January 14, 2022, the Company's New Jersey subsidiary filed a general rate case requesting $110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Public hearings were held on April 6, 2022. Settlement conferences are scheduled to commence in May 2022 with evidentiary hearings expected to begin in September 2022.

On December 1, 2021, the Company's Kentucky subsidiary filed a wastewater rate case requesting additional revenues of $1 million, excluding proposed reductions for EADIT as a result of TCJA. The Company's Kentucky subsidiary requested a four-step rate increase for their wastewater operations with effective dates of June 1, 2022, June 1, 2023, June 1, 2024 and June 1, 2025 for annual amounts of less than $1 million each year. The Company's Kentucky subsidiary filed their wastewater case under the alternative rate filing process for smaller utilities which calculates an operating ratio of 88% rather than a return on equity.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting $15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On August 18, 2021, the Company's Hawaii subsidiary filed a general rate case requesting $2 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA. On April 11, 2022, the Company and the Division of Consumer Advocacy submitted a joint letter to the Hawaii Public Utilities Commission indicating that the parties had, in principle, reached a settlement that would resolve all disputed issues in the case. In the joint letter, the parties also requested revisions to the procedural schedule.

The Company's California subsidiary submitted its application on May 3, 2021 to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the fourth quarter of 2022.

Pending Infrastructure Surcharge Filings

On March 4, 2022, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting $19 million in additional annualized revenues.

On March 1, 2022, the Company's Kentucky subsidiary filed an infrastructure surcharge proceeding requesting $3 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that will require the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021.

Legislative Updates

During 2022, the Company's regulatory jurisdictions enacted the following legislation that has been approved but is not yet effective as of April 27, 2022:

- Indiana passed Senate Enrolled Act 272, which requires public reporting of a non-jurisdictional utility's asset management programs and creates a water and wastewater research and extension program at a state university to serve as a repository for data collected from utilities. Additionally, the legislation establishes oversight and a receivership program in the Indiana Utility Regulatory Commission for non-jurisdictional utilities with violations that create environmental or human health and safety issues. Legislation was signed by the Governor on March 7, 2022 and becomes effective on July 1, 2022.
- Indiana passed water and wastewater utility asset financing legislation, Senate Enrolled Act 273, which authorizes the recovery of property tax in Distribution System Improvement Charge filings. The legislation also permits the Indiana Utility Regulatory Commission to allow recovery through tracking mechanisms for changes in property tax and for costs attributable to referenda or action by elected or appointed individuals. Legislation was signed by the Governor on March 10, 2022 and becomes effective on July 1, 2022.
- Virginia passed Senate Bill 500 and House Bill 182 which requires the Virginia State Corporation Commission, in any future ratemaking proceeding for an investor-owned water/wastewater utility, to evaluate the utility on a stand-alone basis and utilize the utility's actual end-of-test period capital structure and cost of capital without regard to the cost of capital, capital structure, or investments of any other entities with which the utility may be affiliated. Legislation was signed by the Governor on April 11, 2022 and becomes effective on July 1, 2022.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity (a "CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added "Measure J" to the November 2018 election ballot asking voters to decide whether the Monterey Peninsula Water Management District (the "MPWMD") should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed.

In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In November 2020, the MPWMD certified a final environmental impact report ("FEIR"), analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. On December 6, 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets, and on January 5, 2022, LAFCO's commissioners confirmed the denial. On February 28, 2022, LAFCO's commissioners voted to deny the MPWMD's application for reconsideration of LAFCO's confirmation of denial. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of $38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial was originally scheduled for October 2021 but has been continued to June 2022.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Three Months Ended March 31,	
	2022	2021
(In millions)		
Operating revenues	$ 842	$ 888
Operating expenses:		
Operation and maintenance	364	419
Depreciation and amortization	158	157
General taxes	74	83
Total operating expenses, net	596	659
Operating income	246	229
Other income (expense):		
Interest expense	(100)	(98)
Interest income	13	—
Non-operating benefit costs, net	19	20
Other, net	15	4
Total other income (expense)	(53)	(74)
Income before income taxes	193	155
Provision for income taxes	35	22
Net income attributable to common shareholders	$ 158	$ 133

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. "Market-Based Businesses and Other" includes market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, and fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Market-Based Businesses and Other as they are excluded from segment performance measures evaluated by management. This presentation is consistent with how management assesses the results of these businesses.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as "Market-Based Businesses and Other." Segment results for the three months ended March 31, 2021 have been adjusted retrospectively to reflect this change.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Three Months Ended March 31,	
	2022	2021
(In millions)		
Operating revenues	$ 778	$ 755
Operation and maintenance	315	320
Depreciation and amortization	155	147
General taxes	68	76
Other income (expenses)	(44)	(48)
Income before income taxes	196	163
Provision for income taxes	36	28
Net income attributable to common shareholders	160	135

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Three Months Ended March 31,	
	2022	2021
(In millions)		
Water services:		
Residential	$ 428	$ 430
Commercial	153	144
Fire service	36	37
Industrial	36	32
Public and other	59	53
Total water services	712	696
Wastewater services:		
Residential	41	36
Commercial	10	9
Industrial	1	1
Public and other	3	4
Total wastewater services	55	50
Other (a)	11	9
Total operating revenues	$ 778	$ 755

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Three Months Ended March 31,	
	2022	2021
(Gallons in millions)		
Billed water services volumes:		
Residential	34,160	36,859
Commercial	16,339	15,898
Industrial	8,619	8,069
Fire service, public and other	11,756	10,863
Total billed water services volumes	70,874	71,689

Included in operating revenues for the three months ended March 31, 2021 was $23 million related to the Company's New York operations. Excluding the Company's New York operations, for the three months ended March 31, 2022, operating revenues increased $46 million, primarily due to a $40 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states and a $5 million increase from water and wastewater acquisitions, as well as organic growth in existing systems.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

	For the Three Months Ended March 31,	
	2022	2021
(In millions)		
Employee-related costs	$ 126	$ 130
Production costs	84	78
Operating supplies and services	57	57
Maintenance materials and supplies	22	24
Customer billing and accounting	13	17
Other	13	14
Total	$ 315	$ 320

Included in operation and maintenance expense for the three months ended March 31, 2021 was $12 million related to the Company's New York operations. Excluding the Company's New York operations, operation and maintenance expense increased $7 million primarily due to higher purchased water usage in the Company's California subsidiary and increased chemicals costs across several subsidiaries.

Depreciation and Amortization

For the three months ended March 31, 2022, depreciation and amortization increased $8 million, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

Included in general taxes for the three months ended March 31, 2021 was $12 million related to the Company's New York operations. Excluding the Company's New York operations, general taxes increased $4 million primarily due to increased capital investments, including acquisitions and an increase in the New Jersey Gross Receipts Tax.

Provision for Income Taxes

For the three months ended March 31, 2022, the Regulated Businesses' provision for income taxes increased $8 million. The Regulated Businesses' effective income tax rate was 18.4% and 17.2% for the three months ended March 31, 2022 and 2021, respectively. The Regulated Businesses' effective income tax rate for the three months ended March 31, 2022 reflects the amortization of EADIT pursuant to regulatory orders.

Market-Based Businesses and Other

Presented in the table below is information for Market-Based Businesses and Other:

	For the Three Months Ended March 31,	
	2022	2021
(In millions)		
Operating revenues	$ 64	$ 133
Operation and maintenance	50	99
Depreciation and amortization	3	10
Interest expense	(30)	(27)
Interest income	13	—
Income before income taxes	(3)	(8)
Provision for income taxes	(1)	(6)
Net income attributable to common shareholders	(2)	(2)

Operating Revenues

For the three months ended March 31, 2022, operating revenues decreased $69 million, due primarily to the sale of HOS.

Operation and Maintenance

For the three months ended March 31, 2022, operation and maintenance expense decreased $49 million primarily due to the sale of HOS.

Depreciation and Amortization

For the three months ended March 31, 2022, depreciation and amortization decreased $7 million primarily due to the sale of HOS.

Interest Income

For the three months ended March 31, 2022, interest income increased $13 million due to interest recognized on the seller note related to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company's Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, and, if and to the extent necessary, borrowings under AWCC's revolving credit facility, and, in the future, issuances of equity.

The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity in addition to the proceeds from the sales of HOS and the Company's New York subsidiary. If necessary, the Company may delay certain capital investments or other funding requirements, or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company's revolving credit facility provides $2.25 billion in aggregate total commitments from a diversified group of financial institutions. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support, and to provide for the issuance of up to $150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is $2.10 billion. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million. As of March 31, 2022 and December 31, 2021, there were no borrowings outstanding under the revolving credit facility. The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 0.26% and 0.25% at March 31, 2022 and December 31, 2021, respectively.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of March 31, 2022		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(321)	(76)	(397)
Remaining availability as of March 31, 2022	$ 1,779	$ 74	$ 1,853

(a) Total remaining availability of $1.85 billion as of March 31, 2022 may be accessed through revolver draws.

(In millions)	As of December 31, 2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	$ 1,516	$ 74	$ 1,590

(a) Total remaining availability of $1.59 billion as of December 31, 2021 may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of March 31, 2022 and December 31, 2021, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of March 31, 2022	$ 75	$ 1,853	$ 1,928
Available liquidity as of December 31, 2021	$ 116	$ 1,590	$ 1,706

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all. See Note 8—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company's cash flows provided by operating activities:

(In millions)	For the Three Months Ended March 31,	
	2022	2021
Net income	$ 158	$ 133
Add (less):		
Depreciation and amortization	158	157
Deferred income taxes and amortization of investment tax credits	(61)	26
Other non-cash activities (a)	(11)	(40)
Changes in working capital (b)	(71)	(88)
Pension and non-pension postretirement benefit contributions	(19)	(9)
Net cash provided by operating activities	$ 154	$ 179

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities and other current assets and liabilities, net.

For the three months ended March 31, 2022, cash provided by operating activities decreased $25 million, primarily due to changes in working capital including the contribution of $45 million to the American Water Charitable Foundation which was authorized and accrued in the fourth quarter of 2021 and paid in the first quarter of 2022, partially offset by an increase in net income. The decrease in deferred income taxes from the sale of the Company's New York operations is offset in current taxes payable within other assets and liabilities.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows used in investing activities:

	For the Three Months Ended March 31,	
	2022	2021
(In millions)		
Net capital expenditures	$ (424)	$ (342)
Acquisitions	(5)	(3)
Net proceeds from sale of assets	608	—
Other investing activities, net (a)	(20)	(18)
Net cash provided by (used in) investing activities	$ 159	$ (363)

(a) Includes removal costs from property, plant and equipment retirements.

For the three months ended March 31, 2022, cash provided by investing activities increased $522 million, primarily due to proceeds of $608 million received from the sale of the Company's New York operations offset by increased payments for capital expenditures. The Company plans to invest approximately $2.5 billion across its footprint in 2022.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

	For the Three Months Ended March 31,	
	2022	2021
(In millions)		
Proceeds from long-term debt	$ 11	$ 2
Repayments of long-term debt	(5)	(25)
Repayments of term loan	—	(500)
Net short-term (repayments) borrowings with maturities less than three months	(263)	334
Dividends paid	(109)	(100)
Other financing activities, net (a)	13	(4)
Net cash used in financing activities	$ (353)	$ (293)

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the three months ended March 31, 2022, cash used in financing activities increased $60 million, primarily due to net repayments of commercial paper borrowings during the first quarter of 2022 offset by the repayment in full at maturity of the $500 million term loan during the first quarter of 2021.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On March 31, 2022, the Company's ratio was 0.59 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of April 27, 2022 as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. None of the Company's borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, energy, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 6—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

Financial condition of the Company, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2021.

The Company had no significant derivative instruments, which are exposed to market risk, outstanding as of March 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

American Water maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's President, Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

The Company's management, including the Company's President, Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of March 31, 2022.

Based on that evaluation, the Company's President, Chief Executive Officer and Chief Financial Officer, has concluded that, as of March 31, 2022, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Form 10-K in Part I, Item 3—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Monterey Peninsula Water Supply Project

Water Supply Project Land Acquisition and Slant Well Site Use

The SWRCB has scheduled hearings in late October and early November 2022 related to the referral by Cal Am to the SWRCB of certain issues for the SWRCB's expert advisory opinion. The Monterey County Superior Court has set a trial date of October 23, 2023 for the City's lawsuit seeking declaratory relief.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in the Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A—Risk Factors in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended March 31, 2022. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through March 31, 2022, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
*10.1	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant.
*10.2	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (for M. Susan Hardwick).
*10.3	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (for Cheryl Norton).
*10.4	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A.
*10.5	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (for M. Susan Hardwick).
*10.6	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (for Cheryl Norton).
*10.7	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B.
*10.8	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (for M. Susan Hardwick).
*10.9	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (for Cheryl Norton).
10.10	Offer Letter for Employment, dated as of February 2, 2022, between American Water Works Company, Inc. and M. Susan Hardwick (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 16, 2022).
*10.11	Offer Letter for Employment, dated January 21, 2022, between American Water Works Company, Inc. and James H. Gallegos.
10.12	Separation Agreement and General Release, dated as of February 2, 2022, between American Water Works Service Company, Inc. and Walter J. Lynch (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 16, 2022).
22.1	Guaranteed Securities (incorporated by reference to Exhibit 22.1 to American Water Works Company, Inc.'s Registration Statement on Form S-3, File No. 333-263068, filed February 28, 2022).
*31.1	Certification of M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 27th day of April, 2022.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President, Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 10.1

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 15, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2022 Long Term Performance Plan ("2022 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2022 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraph (c) below, the Restricted Stock Units shall vest on the following dates (each a "Service Date"), provided the Participant continues to be

employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Service Date	Units Vesting
January 31, 2023	1/3
January 31, 2024	1/3
January 31, 2025	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2025, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraph (c) below, if at any time prior to January 31, 2025, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If at any time prior to January 31, 2025, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined below), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any;

(ii) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan.

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be immediately forfeited and not payable

to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in Paragraph 3(c) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick



Its: President and CEO

Exhibit 10.2

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 15, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2022 Long Term Performance Plan ("2022 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2022 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraphs (c), (d), and (e) below, the Restricted Stock Units shall vest on the following dates (each a "Service Date"), provided the Participant

continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Service Date	Units Vesting
January 31, 2023	1/3
January 31, 2024	1/3
January 31, 2025	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2025, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraphs (c), (d), and (e) below, if at any time prior to January 31, 2025, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If prior to January 31, 2025, the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Normal Retirement in accordance with the schedule set forth in subparagraph 3(a). For purposes of this Grant, (i) "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause (as defined below)) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof and (ii) "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(d) If prior to January 31, 2025, the Participant's employment or service with the Employer terminates on account of Early Retirement (as defined below), then 75% of the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Early Retirement in accordance with the schedule set forth in subparagraph 3(a) and the remaining 25% of the portion of the Restricted Stock Units that have not vested as of the Participant's Early Retirement shall be immediately forfeited. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of

employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(e) If at any time prior to January 31, 2025, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in 3(c)), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of clarity, if any Restricted Stock Units become vested pursuant to subparagraphs 3(c) or 3(d) above as a result of termination of employment or service with the Employer on account of Normal Retirement or Early Retirement, the Redemption Date for such vested Restricted Stock Units shall be the applicable Service Date or Change of Control Date to which such Restricted Stock Units would have been redeemed if the Participant had remained in the employment or service of the Employer (i.e., the Redemption Date continues to be the originally scheduled Service Date as provided in subparagraph 3(a) above or the Change of Control Date, if earlier, and is not accelerated to an earlier Service Date or to the date on which the termination of employment or service occurs).

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units

as described in Paragraph 6 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be immediately forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in subparagraph 3(e) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York

Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her

beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

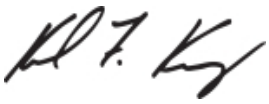
19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Chairman of the Board

Exhibit 10.3

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 15, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2022 Long Term Performance Plan ("2022 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2022 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraphs (c), (d), and (e) below, the Restricted Stock Units shall vest on the following dates (each a "Service Date"), provided the Participant

continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Service Date	Units Vesting
January 31, 2023	1/3
January 31, 2024	1/3
January 31, 2025	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2025, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraphs (c), (d), and (e) below, if at any time prior to January 31, 2025, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If prior to January 31, 2025, the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Normal Retirement in accordance with the schedule set forth in subparagraph 3(a). For purposes of this Grant, (i) "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause (as defined below)) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof and (ii) "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(d) If prior to January 31, 2025, the Participant's employment or service with the Employer terminates on account of Early Retirement (as defined below), then 75% of the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Early Retirement in accordance with the schedule set forth in subparagraph 3(a) and the remaining 25% of the portion of the Restricted Stock Units that have not vested as of the Participant's Early Retirement shall be immediately forfeited. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of

employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(e) If at any time prior to January 31, 2025, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in 3(c)), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of clarity, if any Restricted Stock Units become vested pursuant to subparagraphs 3(c) or 3(d) above as a result of termination of employment or service with the Employer on account of Normal Retirement or Early Retirement, the Redemption Date for such vested Restricted Stock Units shall be the applicable Service Date or Change of Control Date to which such Restricted Stock Units would have been redeemed if the Participant had remained in the employment or service of the Employer (i.e., the Redemption Date continues to be the originally scheduled Service Date as provided in subparagraph 3(a) above or the Change of Control Date, if earlier, and is not accelerated to an earlier Service Date or to the date on which the termination of employment or service occurs).

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that, except as to any election made

by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be immediately forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in subparagraph 3(e) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is

necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code,

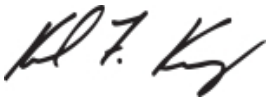
distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Chairman of the Board

Exhibit 10.4

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 15, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2022 Long Term Performance Plan ("2022 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2022 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goal described in Paragraph 3 below (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal

described in subparagraph (b) below for the Performance Period (the "Performance Goal") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the Peer Group companies set forth in Exhibit A attached hereto over the Performance Period (as defined below). The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2021, and December 31, 2024, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$\text{TSR} = \frac{(\text{Dividend Adjusted Ending Stock Price} - \text{Dividend Adjusted Initial Stock Price})}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2022 and ending December 31, 2024, and the term "Peer Group" shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(e), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2025. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 31, 2023 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the

Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goal. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2025 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2022 LTPP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the

Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company

hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick



Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. CenterPoint Energy
5. CMS Energy Corporation
6. Entergy Corporation
7. Essential Utilities
8. Evergy, Inc.
9. Eversource Energy
10. NiSource Inc.
11. OGE Energy Corp.
12. Pinnacle West Capital Corporation
13. PPL Corporation
14. UGI Corporation
15. WEC Energy Group, Inc.

Exhibit 10.5

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 15, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2022 Long Term Performance Plan ("2022 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2022 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goal described in Paragraph 3 below (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal

described in subparagraph (b) below for the Performance Period (the "Performance Goal") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the Peer Group companies set forth in Exhibit A attached hereto over the Performance Period (as defined below). The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2021, and December 31, 2024, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$\text{TSR} = \frac{(\text{Dividend Adjusted Ending Stock Price} - \text{Dividend Adjusted Initial Stock Price})}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2022 and ending December 31, 2024, and the term "Peer Group" shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(e), 4(b), or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2025. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed

through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2023 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goal. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days

following the earliest of (a) January 31, 2025 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2022 LTPP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this

Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

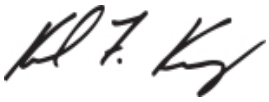
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Chairman of the Board

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. CenterPoint Energy
5. CMS Energy Corporation
6. Entergy Corporation
7. Essential Utilities
8. Evergy, Inc.
9. Eversource Energy
10. NiSource Inc.
11. OGE Energy Corp.
12. Pinnacle West Capital Corporation
13. PPL Corporation
14. UGI Corporation
15. WEC Energy Group, Inc.

Exhibit 10.6

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 15, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2022 Long Term Performance Plan ("2022 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2022 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goal described in Paragraph 3 below (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal

described in subparagraph (b) below for the Performance Period (the "Performance Goal") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the Peer Group companies set forth in Exhibit A attached hereto over the Performance Period (as defined below). The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2021, and December 31, 2024, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$\text{TSR} = \frac{(\text{Dividend Adjusted Ending Stock Price} - \text{Dividend Adjusted Initial Stock Price})}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2022 and ending December 31, 2024, and the term "Peer Group" shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(e), 4(b), or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2025. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed

through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2023 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goal. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days

following the earliest of (a) January 31, 2025 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2022 LTPP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this

Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

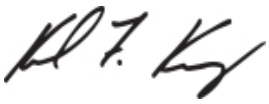
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Chairman of the Board

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. CenterPoint Energy
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6. Entergy Corporation
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8. Evergy, Inc.
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10. NiSource Inc.
11. OGE Energy Corp.
12. Pinnacle West Capital Corporation
13. PPL Corporation
14. UGI Corporation
15. WEC Energy Group, Inc.

Exhibit 10.7

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 15, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2022 Long Term Performance Plan ("2022 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2022 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals

set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2022 and ending December 31, 2024.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2025. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance

Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 31, 2023 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2025 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2022 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding

a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made

pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick



Its: President and CEO

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of $4.25 for the year ended December 31, 2021. The ending point for the calculation will be EPS for the year ended December 31, 2024, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
8.0% or more	200%
5.0%	100%
4.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 4.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2021 Adjusted	12/31/2024 Illustration
Adjusted diluted earnings per share from continuing operations	$ 4.25	$5.17
Compounded EPS growth		**6.75%**

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	6.75%	158.3%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,583 Performance Units (1,000 x 1.583), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

Exhibit 10.8

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 15, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2022 Long Term Performance Plan ("2022 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2022 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock

attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2022 and ending December 31, 2024.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b) or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; and (iii) 3/3, if the Participant's employment or service terminates with the

Employer on or after January 31, 2025. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2023 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any;

(ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2025 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2022 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that

any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements,

effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and

distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

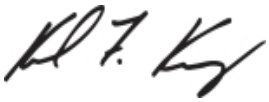
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Chairman of the Board

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of $4.25 for the year ended December 31, 2021. The ending point for the calculation will be EPS for the year ended December 31, 2024, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
8.0% or more	200%
5.0%	100%
4.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 4.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2021 Adjusted	12/31/2024 Illustration
Adjusted diluted earnings per share from continuing operations	$ 4.25	$5.17
Compounded EPS growth		**6.75%**

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	6.75%	158.3%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,583 Performance Units (1,000 x 1.583), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

Exhibit 10.9

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 15, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2022 Long Term Performance Plan ("2022 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2022 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock

attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2022 and ending December 31, 2024.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b) or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; and (iii) 3/3, if the Participant's employment or service terminates with the

Employer on or after January 31, 2025. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2023 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any;

(ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2025 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2022 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that

any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements,

effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and

distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

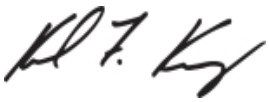
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Chairman of the Board

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of $4.25 for the year ended December 31, 2021. The ending point for the calculation will be EPS for the year ended December 31, 2024, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
8.0% or more	200%
5.0%	100%
4.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 4.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2021 Adjusted	12/31/2024 Illustration
Adjusted diluted earnings per share from continuing operations	$ 4.25	$5.17
Compounded EPS growth		**6.75%**

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	6.75%	158.3%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,583 Performance Units (1,000 x 1.583), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

Exhibit 10.11

AMERICAN WATER

January 21, 2022

Mr. James Gallegos

Dear James:

On behalf of American Water Works Service Company, Inc., I am pleased to offer you the full-time position of EVP, General Counsel, reporting to the President and CEO at our Camden, New Jersey headquarters office. The anticipated start date of your new position will be Tuesday, March 1, 2022. We are confident that you will find this new role to be personally rewarding and one in which you can make significant contributions to the company. ***The terms of this offer letter are subject to the approval of the Executive Development & Compensation Committee of the American Water Board of Directors (the Committee).***

Safety, trust, teamwork, high performance, and environmental leadership define our culture – a culture where every employee feels valued and lives up to his or her potential. Creating an environment where differences are embraced and where every person feels engaged and included makes us safer, stronger, and more successful. We believe that our success is based upon our employees having a vested interest in our business. As a part of our team, you will be tasked with helping make a great company even better – in doing so, you will be rewarded for your contributions. The following is our offer to you:

Base Salary: Your annual salary will be approximately $600,000.00, which will be paid on a bi-weekly basis in accordance with American Water's standard payroll practices. The salary level for your position is 90. Your job performance will be reviewed annually as part of our performance management process and you may be eligible for a merit increase in 2023.

APP: You are eligible to participate in American Water's Annual Performance Plan with a target award amount equal to 75% of your annual base salary. For 2022 you will be eligible for a pro-rated APP payout based on your date of hire. Awards from the Annual Performance Plan are based on several factors including company performance and attainment of individual performance objectives, and payments may be higher or lower than target.

LTPP: You are eligible to participate in the American Water Long Term Performance Plan (LTPP), and will receive a target opportunity with a fair value equal to 160% of your base salary as of grant date. Your 2022 LTPP grant will be issued and valued as of your date of hire. For reference purposes, awards are currently granted under the terms and conditions of the Company's 2017 Omnibus Equity Compensation Plan (the "Plan") and related grant documents, in the form of restricted stock units and performance stock units, as follows: 30% Restricted Stock Units, 35% performance stock units based on TSR ranking and 35% performance stock units based on an internal measure determined by the Committee. In the event of any conflict between your offer letter and the terms of the award grant documents and the Plan, the terms of the award documents and the Plan will govern. Please note that all employees in salary levels 70 and above are subject to the Company's Executive Stock Ownership Guidelines and Stock Retention Requirements, and you will be required to hold Company stock with a value of 3 times your base salary by March 1, 2027.

You will receive a one-time restricted stock unit grant under the Long Term Performance Plan with a fair value of approximately $1,000,000.00. The number of shares will be determined based on the closing price of American Water stock on your first day of your new role and will vest ratably over three (3) years beginning on January 31, 2023.

The grant of any and all equity awards referenced in this offer letter remains subject to the approval of the Committee.

Benefits: American Water offers a competitive benefits program for you and your eligible dependents. An outline of our benefits is attached for your review. Our benefit plans include medical, prescription drug, dental, vision, flexible spending accounts (Health and Dependent Care), employer paid life/disability insurance, voluntary life insurance, Healthy Solutions incentive based wellness program, employee assistance program and educational assistance. Your enrollment is effective the 1" day of the month after your hire date.

AMERICAN WATER

Defined Contribution Plan: You will be eligible to participate in the 401{k) Savings Plan and Defined Contribution plans effective the date of hire. Approximately one week after your hire date, you will receive a letter from Merrill Lynch advising that you will be automatically enrolled into the plan at a 3% contribution level. If you do not enroll on your own, the automatic enrollment will take place 30 days from the date of the letter. You can stop or change your contribution percentage at any time.
American Water contributes on your behalf an amount equal to 5.25% of your base salary or hourly pay, regardless of whether you chose to make contributions to the 401(k) Plan. Your Defined Contributions will be invested in the same funds as you direct your 401(k) contributions to be invested. If you do not select an investment option, your account balance will be invested in the Vanguard Target Retirement Funds based on when you would attain age 65.

Non-Qualified Deferred Compensation: You will also be eligible to participate in our Non-Qualified Deferred Compensation Plan beginning in 2023, based on annual enrollment in December. The Company may make Employer Matching and Defined Contribution Account contributions as soon as administratively practicable after the end of the applicable plan year. Under the Non-Qualified Deferred Compensation Plan, Employer Matching contributions are immediately vested; Defined Contribution Account contributions will generally vest after five years of service.

Additional Considerations: You are eligible for a one time cash sign-on bonus valued at $100,000, subject to applicable withholdings, which will be paid to you within 30 days of your start date.

Relocation: You will be eligible for the Blue package for relocation benefits under American Water's relocation policy according to the parameters of our policy and eligibility criteria as set forth by the IRS. You will be required to sign a Relocation Services Payback Agreement stating that if an employee resigns within 24 months of the effective date of their transfer with the Company, they are required to reimburse the relocation expenses to the Company on a pro-rated basis. The specific terms of the Blue package are otherwise confidential between you and American Water. The management of your relocation will be handled by NEI Global Relocation. Information regarding their services is attached. Please note that your signature on the attached Relocation Payback Agreement is required to initiate the relocation process with NEI.

Holidays/Vacation: You will be eligible for 25 days of paid vacation, 6 floating holidays and 8 fixed holidays per calendar year. Your time will be pro-rated for 2022.

Sick Days: You are eligible for 10 sick days annually. For the balance of 2022, you will be eligible for 10 sick days.

Executive Severance Policy: You will be an eligible participant under the executive severance policy which provides severance benefits to certain executives whose employment is involuntarily terminated by American Water for reasons other than cause, and other than in connection with a change of control. A copy of the Executive Severance policy has been provided with this offer.

Change of Control Severance Policy: You will be an eligible participant under the Change of Control Severance Policy which provides severance benefits to certain executives whose employment is involuntarily terminated for reasons other than cause or if the executive resigns from employment for Good Reason (as defined therein), and such termination occurs within a period beginning on the date a Change of Control is completed and ending 24 months thereafter.

AMERICAN WATER

This offer is contingent upon the successful completion and results of both a background check and a drug screen as well as approvals by the Committee and the American Water Board of Directors. You will be receiving an email from our vendor, CareerBuilder, on behalf of American Water Careers, asking you to complete information for the background check and drug screen. Please complete this information as quickly as possible, and report for your drug screening within 48 hours.

Additionally, as part of our new hire process, you will be asked to complete a Form 1-9 in compliance with the Immigration Reform and Control Act after the offer acceptance or no later than the first date of hire. Please refer to this link-Click Here and follow the instructions. If you experience technical difficulty with this link, please contact your Recruiter.

Your signature below indicates your acceptance of our offer and the terms of employment with American Water. Please review all attachments and sign and return the Confidentiality and Intellectual Property Agreements with your offer letter.

As you will be a Section 16 officer of the Company, American Water may be required to disclose your compensation and/or this offer letter in an SEC filing. Your signature below indicates your acknowledgment of this requirement of your position.

Your signature below indicates your acceptance of our offer and the terms of employment with American Water. Please review, sign and return a copy of this promotion letter.

Jim, we wish you the best of luck in your new role and future opportunities with American Water!

Sincerely,

Susan Hardwick

Susan Hardwick
Interim CEO
Executive Vice President, Chief Financial Officer
American Water

cc: Melanie Kennedy, Executive Vice President, Chief Human Resources Officer

I, James Gallegos, understand that my employment with American Water is "at will," which means that I am not guaranteed employment or any particular job for any specified period of time. The Company or I may terminate my employment at any time, for any or no reason, with or without cause.

/s/ JAMES GALLEGOS February 6, 2022
Signature Date

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am the registrant's sole certifying officer, and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. As the registrant's sole certifying officer, I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President, Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President, Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)
April 27, 2022

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of July 27, 2021
Common Stock, par value $0.01 per share	**181,495,720**

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* * *

Throughout this Quarterly Report on Form 10-Q ("Form 10-Q"), unless the context otherwise requires, references to the "Company" and "American Water" mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the "parent company" mean American Water Works Company, Inc., without its subsidiaries.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company's future financial performance, liquidity and cash flows; rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and filings to address regulatory lag; growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity, the completion of the announced sale of the Company's New York subsidiary and the amount of proceeds anticipated to be received therefrom; the ability of the Company's California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River and to comply with certain regulatory orders and interpretations thereof with respect to such diversions; the amount and allocation of projected capital expenditures and related funding requirements; the Company's ability to repay or refinance debt; the ability to execute its current and long-term business, operational and capital expenditures strategies; its ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory investigations and proceedings and related potential fines, penalties and other sanctions; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the pandemic health event resulting from COVID-19; the ability to capitalize on existing or future utility privatization opportunities; trends in the industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company's actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors;
- changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, consumer and data privacy, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;

- the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain adequate and cost-effective supplies of equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials;
- the Company's ability to successfully meet growth projections for the Regulated Businesses and the Market-Based Businesses (each as defined in this Form 10-Q), either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
  - acquiring, closing and successfully integrating regulated operations and market-based businesses;
  - entering into contracts and other agreements with, or otherwise obtaining, new customers or partnerships in the Market-Based Businesses; and
  - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic health event;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in interest rates;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the Tax Cuts and Jobs Act of 2017 (the "TCJA"), (iii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs, and (iv) the Company's ability to utilize its U.S. federal and state income tax net operating loss carryforwards;
- migration of customers into or out of the Company's service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company's goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract qualified employees;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	June 30, 2021	December 31, 2020
ASSETS		
Property, plant and equipment	$ 26,369	$ 25,614
Accumulated depreciation	(6,155)	(5,904)
Property, plant and equipment, net	20,214	19,710
Current assets:		
Cash and cash equivalents	70	547
Restricted funds	34	29
Accounts receivable, net of allowance for uncollectible accounts of $70 and $60, respectively	311	321
Unbilled revenues	254	206
Materials and supplies	52	47
Assets held for sale	666	629
Other	183	127
Total current assets	1,570	1,906
Regulatory and other long-term assets:		
Regulatory assets	1,145	1,127
Operating lease right-of-use assets	94	95
Goodwill	1,511	1,504
Postretirement benefit assets	168	173
Intangible assets	50	55
Other	200	196
Total regulatory and other long-term assets	3,168	3,150
Total assets	$ 24,952	$ 24,766

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	June 30, 2021	December 31, 2020
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 186,754,591 and 186,466,707 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,765	6,747
Retained earnings	332	102
Accumulated other comprehensive loss	(46)	(49)
Treasury stock, at cost (5,260,064 and 5,168,215 shares, respectively)	(363)	(348)
Total common shareholders' equity	6,690	6,454
Long-term debt	10,343	9,329
Redeemable preferred stock at redemption value	3	4
Total long-term debt	10,346	9,333
Total capitalization	17,036	15,787
Current liabilities:		
Short-term debt	606	1,282
Current portion of long-term debt	49	329
Accounts payable	146	189
Accrued liabilities	506	591
Accrued taxes	65	50
Accrued interest	89	88
Liabilities related to assets held for sale	79	137
Other	170	215
Total current liabilities	1,710	2,881
Regulatory and other long-term liabilities:		
Advances for construction	274	270
Deferred income taxes and investment tax credits	2,255	2,113
Regulatory liabilities	1,699	1,770
Operating lease liabilities	79	81
Accrued pension expense	357	388
Other	122	83
Total regulatory and other long-term liabilities	4,786	4,705
Contributions in aid of construction	1,420	1,393
Commitments and contingencies (See Note 12)		
Total capitalization and liabilities	$ 24,952	$ 24,766

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations (Unaudited)
(In millions, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Operating revenues	$ 999	$ 931	$ 1,887	$ 1,775
Operating expenses:				
Operation and maintenance	431	391	850	774
Depreciation and amortization	158	152	315	297
General taxes	80	75	163	152
Total operating expenses, net	669	618	1,328	1,223
Operating income	330	313	559	552
Other income (expense):				
Interest, net	(101)	(101)	(199)	(197)
Non-operating benefit costs, net	19	12	39	25
Other, net	3	8	7	11
Total other income (expense)	(79)	(81)	(153)	(161)
Income before income taxes	251	232	406	391
Provision for income taxes	44	56	66	91
Net income attributable to common shareholders	$ 207	$ 176	$ 340	$ 300
Basic earnings per share: (a)				
Net income attributable to common shareholders	$ 1.14	$ 0.97	$ 1.87	$ 1.66
Diluted earnings per share: (a)				
Net income attributable to common shareholders	$ 1.14	$ 0.97	$ 1.87	$ 1.65
Weighted-average common shares outstanding:				
Basic	182	181	181	181
Diluted	182	181	182	181

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Net income attributable to common shareholders	$ 207	$ 176	$ 340	$ 300
Other comprehensive income (loss), net of tax:				
Defined benefit pension plan actuarial loss, net of tax of $1 and $0 for the three months ended June 30, 2021 and 2020, respectively and $1 and $0 for the six months ended June 30, 2021 and 2020, respectively	1	—	2	1
Unrealized gain (loss) on cash flow hedges, net of tax of $0 and $1 for the three months ended June 30, 2021 and 2020, respectively and $0 and $(1) for the six months ended June 30, 2021 and 2020, respectively	1	2	1	(4)
Net other comprehensive income (loss)	2	2	3	(3)
Comprehensive income attributable to common shareholders	$ 209	$ 178	$ 343	$ 297

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Six Months Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 340	$ 300
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	315	297
Deferred income taxes and amortization of investment tax credits	64	96
Provision for losses on accounts receivable	18	14
Pension and non-pension postretirement benefits	(21)	(4)
Other non-cash, net	(42)	(40)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(58)	(54)
Pension and postretirement benefit contributions	(18)	(22)
Accounts payable and accrued liabilities	(15)	(28)
Other assets and liabilities, net	(63)	(28)
Net cash provided by operating activities	520	531
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(752)	(870)
Acquisitions, net of cash acquired	(39)	(40)
Proceeds from sale of assets	—	2
Removal costs from property, plant and equipment retirements, net	(43)	(50)
Net cash used in investing activities	(834)	(958)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	1,102	1,163
Repayments of long-term debt	(364)	(166)
(Repayments of) proceeds from term loan	(500)	500
Net short-term borrowings with maturities less than three months	(176)	(367)
Proceeds from issuances of employee stock plans and direct stock purchase plan, net of taxes paid of $15 and $16 for the six months ended June 30, 2021 and 2020, respectively	(8)	2
Advances and contributions for construction, net of refunds of $12 and $15 for the six months ended June 30, 2021 and 2020, respectively	23	11
Debt issuance costs and make-whole premium on early debt redemption	(26)	(12)
Dividends paid	(209)	(190)
Net cash (used in) provided by financing activities	(158)	941
Net (decrease) increase in cash, cash equivalents and restricted funds	(472)	514
Cash, cash equivalents and restricted funds at beginning of period	576	91
Cash, cash equivalents and restricted funds at end of period	$ 104	$ 605
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	$ 226	$ 250

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock					Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	
Balance as of December 31, 2020	186.5	$ 2	$ 6,747	$ 102	$ (49)	(5.2)	$ (348)	$ 6,454
Net income attributable to common shareholders	—	—	—	133	—	—	—	133
Common stock issuances (a)	0.2	—	10	—	—	(0.1)	(15)	(5)
Net other comprehensive loss	—	—	—	—	1	—	—	1
Balance as of March 31, 2021	186.7	$ 2	$ 6,757	$ 235	$ (48)	(5.3)	$ (363)	$ 6,583
Net income attributable to common shareholders	—	—	—	207	—	—	—	207
Common stock issuances (a)	0.1	—	8	—	—	—	—	8
Net other comprehensive loss	—	—	—	—	2	—	—	2
Dividends ($0.6025 declared per common share)	—	—	—	(110)	—	—	—	(110)
Balance as of June 30, 2021	186.8	$ 2	$ 6,765	$ 332	$ (46)	(5.3)	$ (363)	$ 6,690

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

	Common Stock			Retained Earnings (Accumulated Deficit)		Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital		Accumulated Other Comprehensive Loss	Shares	At Cost	
Balance as of December 31, 2019	185.9	$ 2	$ 6,700	$ (207)	$ (36)	(5.1)	$ (338)	$ 6,121
Net income attributable to common shareholders	—	—	—	124	—	—	—	124
Common stock issuances (a)	0.3	—	13	—	—	(0.1)	(10)	3
Net other comprehensive loss	—	—	—	—	(5)	—	—	(5)
Balance as of March 31, 2020	186.2	$ 2	$ 6,713	$ (83)	$ (41)	(5.2)	$ (348)	$ 6,243
Net income attributable to common shareholders	—	—	—	176	—	—	—	176
Common stock issuances (a)	0.2	—	17	—	—	—	—	17
Net other comprehensive loss	—	—	—	—	2	—	—	2
Dividends ($0.55 declared per common share)	—	—	—	(100)	—	—	—	(100)
Balance as of June 30, 2020	186.4	$ 2	$ 6,730	$ (7)	$ (39)	(5.2)	$ (348)	$ 6,338

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the "Company" or "American Water"), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q ("Form 10-Q"). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of June 30, 2021, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2020 ("Form 10-K"), which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company's operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2021:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Facilitation of the Effects of Reference Rate Reform on Financial Reporting	Provided optional guidance for a limited time to ease the potential accounting burden associated with the transition from London Interbank Offered Rate ("LIBOR"). The guidance contains optional expedients and exceptions for contract modifications, hedging relationships, and other transactions that reference LIBOR or other reference rates expected to be discontinued. The expedients elected must be applied for all eligible contracts or transactions, with the exception of hedging relationships, which can be applied on an individual basis.	March 12, 2020 through December 31, 2022	Prospective for contract modifications and hedging relationships; applied as of January 1, 2020.	The standard did not have a material impact on the Consolidated Financial Statements.
Simplifying the Accounting for Income Taxes	The guidance removes exceptions related to the incremental approach for intraperiod tax allocation, the requirement to recognize a deferred tax liability for changes in ownership of a foreign subsidiary or equity method investment, and the general methodology for calculating income taxes in an interim period when the year-to-date loss exceeds the anticipated loss. The guidance adds requirements to reflect changes to tax laws or rates in the annual effective tax rate computation in the interim period in which the changes were enacted, to recognize franchise or other similar taxes that are partially based on income as an income-based tax and any incremental amounts as non-income-based tax, and to evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction.	January 1, 2021	Modified retrospective for amendments related to changes in ownership of a foreign subsidiary or equity method investment; Modified retrospective or retrospective for amendments related to taxes partially based on income; Prospective for all other amendments.	The standard did not have a material impact on the Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of June 30, 2021:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022; early adoption is not permitted before fiscal years beginning after December 15, 2020	Either modified retrospective or fully retrospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Cash, Cash Equivalents and Restricted Funds

Presented in the table below is a reconciliation of the cash and cash equivalents and restricted funds amounts as presented on the Consolidated Balance Sheets to the sum of such amounts presented on the Consolidated Statements of Cash Flows for the periods ended June 30:

	2021	2020
Cash and cash equivalents (a)	$ 70	$ 569
Restricted funds	34	36
Cash, cash equivalents and restricted funds as presented on the Consolidated Statements of Cash Flows	$ 104	$ 605

(a) The majority of the change in the cash and cash equivalents balance is due to the repayment, at maturity, of the $500 million in outstanding principal under the Term Loan Facility (as defined below). See Note 9—Short-Term Debt for additional information.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. An increase in the allowance for uncollectible accounts for the period ending June 30, 2021 reflects the impacts from the COVID-19 pandemic, including an increase in uncollectible accounts expense and a reduction in amounts written off due to shutoff moratoria in place across the Company's subsidiaries.

Presented in the table below are the changes in the allowance for uncollectible accounts for the six months ended June 30:

	2021	2020
Balance as of January 1	$ (60)	$ (41)
Amounts charged to expense	(18)	(14)
Amounts written off	4	10
Less: Allowance for uncollectible accounts included in assets held for sale (a)	4	2
Balance as of June 30	$ (70)	$ (43)

(a) This portion of the allowance for uncollectible accounts is related to the pending transactions contemplated by the Stock Purchase Agreement among the Company, the Company's New York subsidiary and an affiliate of Liberty Utilities Co., and is included in assets held for sale on the Consolidated Balance Sheets. See Note 6—Acquisitions and Divestitures for additional information.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Impact of the COVID-19 Pandemic

American Water continues to monitor the COVID-19 pandemic and has experienced financial impacts since the start of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental operation and maintenance ("O&M") expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as "financial impacts."

As of August 2, 2021, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 14 jurisdictions, with proceedings in New York and Tennessee pending. One jurisdiction, Kentucky, issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California's Catastrophic Event Memorandum Account allows the Company's California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO
Proceedings pending	Pending proceedings considering deferred accounting authorization for the future recovery of COVID-19 financial impacts.	NY, TN (a)

(a) On July 28, 2021, the Company's Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General which reflects agreement on the deferral of foregone late fees and incremental operating expenses net of cost savings, all as of April 30, 2021. The deferral of these COVID-19 financial impacts will cease as of April 30, 2021. The stipulation and settlement agreement will be subject to Tennessee Public Utility Commission review and approval, with a hearing on the stipulation and settlement agreement scheduled on August 9, 2021.

The Pennsylvania Public Utility Commission (the "PaPUC") has granted deferral authority on certain incremental expenses above those embedded in rates resulting from the COVID-19 pandemic. The Company's Pennsylvania subsidiary has filed for confirmation to defer as a regulatory asset all identified COVID-19 financial impacts, with the proceeding currently pending before the PaPUC. A recommended decision from the Administrative Law Judge ("ALJ") was issued on June 30, 2021, recommending the PaPUC deny the inclusion of waived late fees, waived reconnect fees, and additional interest costs. The ALJ decision recommended deferral of additional uncollectible costs not embedded in rates and COVID-19 related incremental direct costs and savings. The Company filed exceptions to this recommended decision on July 20, 2021 and reply exceptions on July 30, 2021, with a final order from the PaPUC expected later in the third quarter of 2021.

Consistent with these regulatory orders, the Company has recorded $44 million in regulatory assets and $5 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of June 30, 2021.

As of August 2, 2021, four states continue moratoria on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in ten states.

Note 4: Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of excess accumulated deferred income tax ("EADIT") that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the current period:

	During the Three Months Ended June 30,		During the Six Months Ended June 30,	
(In millions)	**2021**	**2020**	**2021**	**2020**
General rate cases by state:				
Missouri (effective May 28, 2021)	$ 22	$ —	$ 22	$ —
New York (a)	7	—	7	—
Pennsylvania (effective January 28, 2021)	—	—	70	—
Indiana (b)	—	13	—	13
California (c)	—	—	—	5
Total general rate cases	$ 29	$ 13	$ 99	$ 18
Infrastructure surcharges by state:				
New Jersey (effective June 28, 2021, June 29, 2020 and January 1, 2020)	$ 14	$ 10	$ 14	$ 20
Indiana (effective March 17, 2021)	—	—	8	—
Pennsylvania (effective January 1, 2021, April 1, 2020 and January 1, 2020)	—	5	8	15
Illinois (effective January 1, 2021 and January 1, 2020)	—	—	7	7
West Virginia (effective January 1, 2021 and January 1, 2020)	—	—	5	3
Tennessee (d)	—	2	3	2
Missouri (effective June 27, 2020)	—	10	—	10
Total infrastructure surcharges	$ 14	$ 27	$ 45	$ 57

(a) The Company's New York subsidiary implemented additional annualized revenues of $7 million on May 1, 2021. The increase was deferred with interest from April 1, 2020.

(b) The Company's Indiana subsidiary filed for and, on May 4, 2020, received approval to implement a $13 million increase for the second rate year, effective May 1, 2020.

(c) The Company's California subsidiary received approval for the third year (2020) step increase associated with its most recent general rate case authorization, effective January 1, 2020.

(d) The Company's Tennessee subsidiary received approval for infrastructure surcharges for annualized incremental revenues of $3 million, effective January 1, 2021, and received approval on May 11, 2020 for infrastructure surcharges for annualized incremental revenues of $2 million, effective January 1, 2020.

On August 28, 2020, the Company's Iowa subsidiary filed a general rate case requesting $3 million in annualized incremental revenues. An order was issued on June 28, 2021 authorizing an increase of $1 million. On July 9, 2021, the Company's Iowa subsidiary filed a Motion for Clarification with respect to the required accelerated flow back of unprotected EADIT over a three-year period to recognize the increase to rate base and incremental revenues as the unprotected EADIT it amortized. The Company's Iowa subsidiary filed tariffs consistent with the Motion for Clarification on July 16, 2021, and is awaiting a decision from the Iowa Utilities Board on the Motion for Clarification before new rates are implemented.

Effective July 1, 2021, the Company's Kentucky subsidiary implemented infrastructure surcharges for annualized incremental revenues of $1 million.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of $22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The EADIT reduction in revenues is $25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of $72 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of $74 million is being returned to customers over 10 years. The $25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of $13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an Initial Decision ("ID") with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rates of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's ID without modification. The Company's New Jersey subsidiary is continuing to evaluate next steps, including grounds to move for reconsideration within the time permitted by law. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is $19 million. The overall increase, net of TCJA reductions, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting $32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is $1 million and the exclusion for infrastructure surcharges is $10 million.

On July 1, 2019, the Company's California subsidiary filed a general rate case requesting $29 million in annualized incremental revenues for 2021, and increases of $10 million and $11 million in the escalation year of 2022 and the attrition year of 2023, respectively. On October 11, 2019, the Company filed its 100-day update for the same proceeding and updated the request to $27 million in annualized incremental revenues for 2021, and increases of $10 million in both the escalation year of 2022 and the attrition year of 2023, respectively. On September 10, 2020, the California Public Utilities Commission (the "CPUC") approved the Company's California subsidiary's motion for interim rates, establishing a memorandum account to track the difference between interim and final rates adopted by the CPUC in this proceeding, which were effective on January 1, 2021. Following settlement discussions among all parties to the proceeding, on January 22, 2021 and January 25, 2021, the Company's California subsidiary filed with the CPUC a comprehensive settlement entered into among the Company's California subsidiary, the Public Advocates Office, and other intervenors. These settlement agreements resolved all matters in dispute among the parties to the settlements. These settlements, as well as resolution of issues raised by non-settling parties, are now before the CPUC for approval.

On January 22, 2020, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2021. On March 12, 2020, the CPUC granted the request for a one year extension of the cost of capital filing to May 1, 2021, to set its authorized cost of capital beginning January 1, 2022. On January 5, 2021, the Company's California subsidiary submitted a request to further delay by one year its cost of capital filing and maintain the authorized cost of capital through 2022. On February 22, 2021, the CPUC denied the request to further delay the cost of capital filing. The Company's California subsidiary submitted its cost of capital application on May 3, 2021. Once approved by the CPUC, the new authorized cost of capital will be effective January 1, 2022.

Pending Infrastructure Surcharge Filings

On June 30, 2021, the Company's West Virginia subsidiary filed for an infrastructure surcharge requesting $3 million in additional annualized revenues.

On June 28, 2021, the Company's Missouri subsidiary filed for an infrastructure surcharge requesting $7 million in additional annualized revenues.

Note 5: Revenue Recognition

Disaggregated Revenues

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company also operates market-based businesses that provide water, wastewater and other services to residential and smaller commercial customers, the U.S. government on military installations, as well as municipalities and utility customers, collectively presented as the "Market-Based Businesses."

Presented in the table below are operating revenues disaggregated for the three months ended June 30, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 491	$ —	$ 491
Commercial	170	—	170
Fire service	37	—	37
Industrial	34	—	34
Public and other	56	—	56
Total water services	788	—	788
Wastewater services:			
Residential	38	—	38
Commercial	9	—	9
Industrial	1	—	1
Public and other	4	—	4
Total wastewater services	52	—	52
Miscellaneous utility charges	8	—	8
Alternative revenue programs	—	7	7
Lease contract revenue	—	2	2
Total Regulated Businesses	848	9	857
Market-Based Businesses	146	—	146
Other	(4)	—	(4)
Total operating revenues	$ 990	$ 9	$ 999

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* ("ASC 606"), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the six months ended June 30, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 921	$ —	$ 921
Commercial	314	—	314
Fire service	74	—	74
Industrial	66	—	66
Public and other	100	—	100
Total water services	1,475	—	1,475
Wastewater services:			
Residential	74	—	74
Commercial	18	—	18
Industrial	2	—	2
Public and other	8	—	8
Total wastewater services	102	—	102
Miscellaneous utility charges	16	—	16
Alternative revenue programs	—	16	16
Lease contract revenue	—	3	3
Total Regulated Businesses	1,593	19	1,612
Market-Based Businesses	283	—	283
Other	(8)	—	(8)
Total operating revenues	$ 1,868	$ 19	$ 1,887

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's Market-Based Businesses, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts and home warranty protection program contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $58 million and $39 million are included in unbilled revenues on the Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020, respectively. Contract assets of $26 million and $13 million are included in unbilled revenues on the Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019, respectively. There were $38 million of contract assets added during the six months ended June 30, 2021, and $19 million of contract assets were transferred to accounts receivable during the same period. There were $29 million of contract assets added during the six months ended June 30, 2020, and $16 million of contract assets were transferred to accounts receivable during the same period.

Contract liabilities of $44 million and $35 million are included in other current liabilities on the Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020, respectively. Contract liabilities of $37 million and $27 million are included in other current liabilities on the Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019, respectively. There were $90 million of contract liabilities added during the six months ended June 30, 2021, and $81 million of contract liabilities were recognized as revenue during the same period. There were $66 million of contract liabilities added during the six months ended June 30, 2020, and $56 million of contract liabilities were recognized as revenue during the same period.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of June 30, 2021, the Company's O&M and capital improvement contracts in the Market-Based Businesses have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of $6.3 billion as of June 30, 2021, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2022 and 2038 and have RPOs of $624 million as of June 30, 2021, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 6: Acquisitions and Divestitures

During the six months ended June 30, 2021, the Company closed on the acquisition of seven regulated water and wastewater systems for a total aggregate purchase price of $17 million. Assets acquired from these acquisitions, principally utility plant, totaled $17 million. One of these acquisitions was accounted for as a business combination. The preliminary purchase price allocations related to an acquisition accounted for as a business combination will be finalized once the valuation of assets acquired has been completed, no later than one year after its acquisition date.

Subsequent to June 30, 2021, the Company closed on one regulated wastewater system for a total aggregate purchase price of $4 million.

On April 6, 2021, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for $235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system currently directly and indirectly through bulk contracts serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company's Pennsylvania subsidiary paid a $20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition by the end of 2021, pending regulatory approval.

Assets Held for Sale

On November 20, 2019, the Company and the Company's New York subsidiary, entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with Liberty Utilities Co., which it subsequently assigned to its indirect, wholly owned subsidiary Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), pursuant to which Liberty will purchase all of the capital stock of the New York subsidiary (the "Stock Purchase") for an aggregate purchase price of approximately $608 million in cash, subject to adjustment as provided in the Stock Purchase Agreement. The Company's regulated New York operations have approximately 125,000 customers in the State of New York. Algonquin Power & Utilities Corp., Liberty's ultimate parent company, executed and delivered an absolute and unconditional guaranty of the performance of all of the obligations of Liberty under the Stock Purchase Agreement. The Stock Purchase is subject to various conditions, including obtaining approvals and satisfying or waiving other closing conditions. The Stock Purchase Agreement as originally executed provided for an initial termination date of June 30, 2021 (the "Closing End Date"). On June 29, 2021, the parties mutually agreed to extend the Closing End Date to December 31, 2021 in accordance with the terms of the Stock Purchase Agreement, and agreed to extend further the Closing End Date to January 3, 2022 as December 31, 2021 is a federal holiday. No other provision of the Stock Purchase Agreement was modified by this mutual agreement. Liberty may also terminate the Stock Purchase Agreement if any governmental authority initiates a condemnation or eminent domain proceeding against a majority of the consolidated properties of the Company's New York subsidiary, taken as a whole. The assets and related liabilities of the Company's New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of June 30, 2021.

Presented in the table below are the components of assets held for sale and liabilities related to assets held for sale of the New York subsidiary as of June 30, 2021:

	June 30, 2021
Property, plant and equipment	$ 535
Current assets	17
Regulatory assets	77
Goodwill	27
Other assets	10
Assets held for sale	$ 666
Current liabilities	15
Regulatory liabilities	48
Other liabilities	16
Liabilities related to assets held for sale	$ 79

Note 7: Shareholders' Equity

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the six months ended June 30, 2021 and 2020, respectively:

	Defined Benefit Pension Plans				
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Gain (Loss) on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance as of December 31, 2020	$ (106)	$ 1	$ 63	$ (7)	$ (49)
Other comprehensive income before reclassifications	—	—	—	1	1
Amounts reclassified from accumulated other comprehensive loss	—	—	2	—	2
Net other comprehensive income (loss)	—	—	2	1	3
Balance as of June 30, 2021	$ (106)	$ 1	$ 65	$ (6)	$ (46)
Balance as of December 31, 2019	$ (94)	$ 1	$ 60	$ (3)	$ (36)
Other comprehensive loss before reclassifications	—	—	—	(4)	(4)
Amounts reclassified from accumulated other comprehensive loss	—	—	1	—	1
Net other comprehensive income (loss)	—	—	1	(4)	(3)
Balance as of June 30, 2020	$ (94)	$ 1	$ 61	$ (7)	$ (39)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends

On June 1, 2021, the Company paid a quarterly cash dividend of $0.6025 per share to shareholders of record as of May 11, 2021.

On July 28, 2021, the Company's Board of Directors declared a quarterly cash dividend payment of $0.6025 per share, payable on September 1, 2021 to shareholders of record as of August 10, 2021. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 8: Long-Term Debt

On May 10, 2021, American Water Capital Corp. ("AWCC") completed a $1.1 billion debt offering, which included the sale of $550 million aggregate principal amount of its 2.30% senior notes due 2031 and $550 million aggregate principal amount of its 3.25% senior notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of $1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay $251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and $76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately $14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of $15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

On May 6, 2021, the Company entered into two 10-year treasury lock agreements, with notional amounts of $125 million and $150 million, to reduce interest rate exposure on debt, which was subsequently issued on May 10, 2021. These treasury lock agreements had an average fixed rate of 1.58%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. On May 10, 2021, the Company terminated these two treasury lock agreements with an aggregate notional amount of $275 million, realizing a net gain of less than $1 million, to be amortized through interest, net over a 10-year period, in accordance with the terms of the $1.1 billion new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the three and six months ended June 30, 2021 and 2020.

In addition to the senior notes issued and retired by AWCC as described above, during the six months ended June 30, 2021, the Company's regulated subsidiaries issued in the aggregate $2 million of private activity bonds and government funded debt in multiple transactions with annual interest rates ranging from 0.00% to 5.00%, with a weighted average interest rate of 0.27%, maturing in 2022 through 2047. During the six months ended June 30, 2021, AWCC and the Company's regulated subsidiaries retired or paid at maturity an aggregate of $37 million of long-term debt issues with annual interest rates ranging from 0.00% to 12.25%, with a weighted average interest rate of 8.33%, maturing in 2021 through 2048.

Note 9: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. The revolving credit facility provides $2.25 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is March 21, 2025. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit.

On March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). As of December 31, 2020, $500 million of principal was outstanding under the Term Loan Facility. The Term Loan Facility commitments terminated at maturity on March 19, 2021 and the Term Loan Facility was repaid in full. Borrowings under the Term Loan Facility bore interest at a variable annual rate based on LIBOR, plus a margin of 0.80%.

Short-term debt consists of commercial paper and credit facility borrowings totaling $606 million and $786 million as of June 30, 2021 and December 31, 2020, respectively. The weighted-average interest rate on AWCC's outstanding short-term borrowings, including $500 million of outstanding principal on the Term Loan Facility as of December 31, 2020, was approximately 0.13% and 0.53% at June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021 and December 31, 2020, there were no commercial paper or credit facility borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of June 30, 2021		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(606)	(76)	(682)
Remaining availability as of June 30, 2021	$ 1,494	$ 74	$ 1,568

(a) Total remaining availability of $1.57 billion as of June 30, 2021 may be accessed through revolver draws.

	As of December 31, 2020		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	$ 1,314	$ 74	$ 1,388

(a) Total remaining availability of $1.39 billion as of December 31, 2020 may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of June 30, 2021 and December 31, 2020, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of June 30, 2021	$ 70	1,568	$ 1,638
Available liquidity as of December 31, 2020	$ 547	$ 1,388	$ 1,935

Note 10: Income Taxes

The Company's effective income tax rate was 17.5% and 24.1% for the three months ended June 30, 2021 and 2020, respectively, and 16.3% and 23.3% for the six months ended June 30, 2021 and 2020, respectively. The decrease in the Company's effective income tax rate for the three and six months ended June 30, 2021 was primarily due to an increase in the amortization of EADIT resulting from the TCJA, pursuant to regulatory orders, and an increase in deductions for stock based compensation benefits.

Note 11: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit cost (credit):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Components of net periodic pension benefit cost:				
Service cost	$ 9	$ 8	$ 18	$ 16
Interest cost	16	18	33	37
Expected return on plan assets	(32)	(28)	(64)	(56)
Amortization of prior service credit	—	(1)	(1)	(2)
Amortization of actuarial loss	6	8	13	16
Net periodic pension benefit (credit) cost before settlements	(1)	5	(1)	11
Settlements (a)	—	1	—	1
Net periodic pension benefit (credit) cost	$ (1)	$ 6	$ (1)	$ 12
Components of net periodic other postretirement benefit credit:				
Service cost	$ 1	$ 1	$ 2	$ 2
Interest cost	2	3	4	6
Expected return on plan assets	(5)	(5)	(10)	(9)
Amortization of prior service credit	(8)	(8)	(16)	(16)
Amortization of actuarial loss	—	—	—	1
Net periodic other postretirement benefit credit	$ (10)	$ (9)	$ (20)	$ (16)

(a) Due to the amount of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan, a settlement charge of less than $1 million was recorded during the three and six months ended June 30, 2021, and a settlement charge of $1 million was recorded during the three and six months ended June 30, 2020. In accordance with existing regulatory accounting treatment, the Company has maintained the settlement charge in regulatory assets. The amount is being amortized in accordance with existing regulatory practice.

The Company contributed $9 million and $18 million for the funding of its defined benefit pension plans for the three and six months ended June 30, 2021, respectively, and contributed $12 million and $22 million for the funding of its defined benefit pension plans for the three and six months ended June 30, 2020, respectively. The Company made no contributions for the funding of its other postretirement benefit plans for each of the three and six months ended June 30, 2021 and 2020. The Company expects to make pension and postretirement contributions to the plan trusts of $22 million during the remainder of 2021.

Note 12: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of June 30, 2021, the Company has accrued approximately $5 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $2 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 12—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, the Company's West Virginia subsidiary ("WVAWC") and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the $126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is $19 million. As of June 30, 2021, $0.5 million of the aggregate Settlement amount of $126 million has been reflected in accrued liabilities, and $0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets. The amount reflected in accrued liabilities as of June 30, 2021 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund's appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys' fees and claims administration costs. The Company funded WVAWC's contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

On February 4, 2020, the *Jeffr*ies plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. On July 14, 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. On August 31, 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court order certifying the issues class. At the request of the parties, on September 10, 2020, the Circuit Court ordered the stay of all matters in the class proceeding pending consideration of this petition. On December 3, 2020, the Supreme Court of Appeals issued an order to show cause stating that there are sufficient grounds for oral argument to consider prohibiting the class certification order. On January 28, 2021, the Supreme Court of Appeals granted a motion by the *Jeffries* plaintiffs to remand the case back to the Circuit Court for further consideration in light of a recent Supreme Court of Appeals decision issued in another case relating to the class certification issues raised. A briefing schedule has been set and, following briefing by all parties, oral argument on the issue of class certification was heard on July 16, 2021. This matter remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company," and together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest.

On November 22, 2019, the Tennessee-American Water Defendants filed a motion to dismiss the complaint for failure to state a claim upon which relief may be granted, and, with respect to the Company, for lack of personal jurisdiction. Oral argument on the motion to dismiss took place on September 9, 2020. On September 18, 2020, the court (i) granted the motion to dismiss the Tennessee Plaintiffs' negligence claim against all Tennessee-American Water Defendants, (ii) denied the motion to dismiss the breach of contract claim against TAWC, (iii) held in abeyance the motion to dismiss the breach of contract claims against the Company and Service Company pending a further hearing and (iv) held in abeyance the Company's motion to dismiss the complaint for lack of personal jurisdiction. On September 24, 2020, at the request of the Tennessee Plaintiffs, the court dismissed without prejudice all claims in the *Bruce* complaint against the Company and Service Company. The impact of the September 2020 court orders was that all of the Tennessee Plaintiffs' claims in this complaint were dismissed, other than the breach of contract claims against TAWC. On October 16, 2020, TAWC answered the complaint, and the parties are conducting discovery.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order") approving a deadline of December 31, 2021 for Cal Am's compliance with these prior orders (the "2021 Deadline").

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the 2009 Order and the 2016 Order.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the California Public Utilities Commission (the "CPUC") and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to the incurred $50 million in associated costs plus an allowance for funds used during construction ("AFUDC"), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that (i) the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity, (ii) the issuance of the final decision should not be delayed, and (iii) an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am has incurred $166 million in aggregate costs as of June 30, 2021 related to the Water Supply Project, which includes $41 million in AFUDC. While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the "Coastal Commission"), as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. The original jurisdiction application remains pending.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, based on the foregoing, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Due to the delay in the approval schedule for the Water Supply Project, Cal Am currently does not expect that it will be able to comply with the diversion reduction requirement schedule contained in the 2016 Order until January 2022. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order, or the 2021 Deadline, may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 13: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted EPS calculations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net income attributable to common shareholders	$ 207	$ 176	$ 340	$ 300
Denominator:				
Weighted-average common shares outstanding—Basic	182	181	181	181
Effect of dilutive common stock equivalents	—	—	1	—
Weighted-average common shares outstanding—Diluted	182	181	182	181

The effect of dilutive common stock equivalents is related to outstanding stock options, restricted stock units ("RSUs") and performance stock units ("PSUs") granted under the Company's 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company's 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three and six months ended June 30, 2021 and 2020, because their effect would have been anti-dilutive under the treasury stock method.

Note 14: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of June 30, 2021				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 4	$ —	$ —	$ 6	$ 6
Long-term debt (excluding finance lease obligations)	10,390	10,288	62	1,660	12,010

	As of December 31, 2020				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 5	$ —	$ —	$ 7	$ 7
Long-term debt (excluding finance lease obligations)	9,656	9,639	415	1,753	11,807

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 34	$ —	$ —	$ 34
Rabbi trust investments	22	—	—	22
Deposits	26	—	—	26
Other investments	17	—	—	17
Total assets	99	—	—	99
Liabilities:				
Deferred compensation obligations	26	—	—	26
Total liabilities	26	—	—	26
Total assets	$ 73	$ —	$ —	$ 73

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 29	$ —	$ —	$ 29
Rabbi trust investments	19	—	—	19
Deposits	4	—	—	4
Other investments	11	—	—	11
Total assets	63	—	—	63
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	$ 39	$ —	$ —	$ 39

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no significant mark-to-market derivatives outstanding as of June 30, 2021.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Note 15: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's right-of-use ("ROU") assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 39 years, six years, and five years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $146 million and $147 million as of June 30, 2021 and December 31, 2020, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $2 million in 2021 and $4 million in 2022 through 2025, and $52 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were $4 million and $3 million for the three months ended June 30, 2021 and June 30, 2020, respectively, and $7 million and $7 million for the six months ended June 30, 2021 and June 30, 2020, respectively.

For the three and six months ended June 30, 2021, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, were $4 million and $7 million, respectively. For the three months ended June 30, 2021, there were no ROU assets obtained in exchange for new operating lease liabilities. For the six months ended June 30, 2021, there were ROU assets obtained in exchange for new operating lease liabilities of $6 million.

As of June 30, 2021, the weighted-average remaining lease term of the finance lease and operating leases were five years and 19 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at June 30, 2021 are $6 million in 2021, $12 million in 2022, $8 million in 2023, $7 million in 2024, $7 million in 2025 and $96 million thereafter. At June 30, 2021 imputed interest was $46 million.

Note 16: Segment Information

The Company's operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses. "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended June 30, 2021			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 857	$ 146	$ (4)	$ 999
Depreciation and amortization	151	6	1	158
Total operating expenses, net	552	119	(2)	669
Interest, net	(72)	(1)	(28)	(101)
Income before income taxes	257	26	(32)	251
Provision for income taxes	42	6	(4)	44
Net income attributable to common shareholders	215	19	(27)	207
Total assets	22,445	899	1,608	24,952
Cash paid for capital expenditures	406	2	2	410

	As of or for the Three Months Ended June 30, 2020			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 803	$ 132	$ (4)	$ 931
Depreciation and amortization	144	7	1	152
Total operating expenses, net	512	102	4	618
Interest, net	(74)	—	(27)	(101)
Income before income taxes	236	30	(34)	232
Provision for income taxes	58	8	(10)	56
Net income attributable to common shareholders	177	23	(24)	176
Total assets	21,536	1,075	1,398	24,009
Cash paid for capital expenditures	457	3	2	462

	As of or for the Six Months Ended June 30, 2021			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 1,612	$ 283	$ (8)	$ 1,887
Depreciation and amortization	298	11	6	315
Total operating expenses, net	1,095	233	—	1,328
Interest, net	(143)	(2)	(54)	(199)
Income before income taxes	420	48	(62)	406
Provision for income taxes	70	12	(16)	66
Net income attributable to common shareholders	350	36	(46)	340
Total assets	22,445	899	1,608	24,952
Cash paid for capital expenditures	744	4	4	752

	As of or for the Six Months Ended June 30, 2020			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 1,523	$ 260	$ (8)	$ 1,775
Depreciation and amortization	279	13	5	297
Total operating expenses, net	1,015	201	7	1,223
Interest, net	(146)	1	(52)	(197)
Income before income taxes	398	60	(67)	391
Provision for income taxes	98	16	(23)	91
Net income attributable to common shareholders	300	45	(45)	300
Total assets	21,536	1,075	1,398	24,009
Cash paid for capital expenditures	861	6	3	870

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company's Form 10-K for the year ended December 31, 2020. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements" and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). The Company also operates market-based businesses that provide water, wastewater and other services to residential and smaller commercial customers, the U.S. government on military installations, as well as municipalities and utility customers, collectively presented as the "Market-Based Businesses." These Market-Based Businesses are not subject to economic regulation by state PUCs. See Part I, Item 1—Business in the Company's Form 10-K for additional information.

COVID-19 Pandemic Update

American Water continues to monitor the COVID-19 pandemic and has taken steps since the beginning of the pandemic to mitigate adverse impacts to the Company. The Company has three main areas of focus as part of its response to COVID-19: the care and safety of its employees; the safety of its customers and the communities it serves; and the execution of its business continuity plan. American Water continues to work with its vendors to prevent disruptions in its supply chain, and, at this time, has not experienced, and does not anticipate, any material negative impacts. The Company also continues to monitor the impacts of the COVID-19 pandemic on the capital markets, including impacts that could increase its cost of capital.

The Company has experienced financial impacts since the beginning of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental operation and maintenance ("O&M") expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as "financial impacts." See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information. The extent to which the COVID-19 pandemic may further impact American Water, including without limitation, its liquidity, financial condition, and results of operations, will depend on future developments, which presently cannot be predicted.

As of August 2, 2021, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 14 jurisdictions, with proceedings in New York and Tennessee pending. One jurisdiction, Kentucky, issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California's Catastrophic Event Memorandum Account allows the Company's California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO
Proceedings pending	Pending proceedings considering deferred accounting authorization for the future recovery of COVID-19 financial impacts.	NY, TN (a)

(a) On July 28, 2021, the Company's Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General which reflects agreement on the deferral of foregone late fees and incremental operating expenses net of cost savings, all as of April 30, 2021. The deferral of these COVID-19 financial impacts will cease as of April 30, 2021. The stipulation and settlement agreement will be subject to Tennessee Public Utility Commission review and approval, with a hearing on the stipulation and settlement agreement scheduled on August 9, 2021.

The Pennsylvania Public Utility Commission (the "PaPUC") has granted deferral authority on certain incremental expenses above those embedded in rates resulting from the COVID-19 pandemic. The Company's Pennsylvania subsidiary has filed for confirmation to defer as a regulatory asset all identified COVID-19 financial impacts, with the proceeding currently pending before the PaPUC. A recommended decision from the Administrative Law Judge ("ALJ") was issued on June 30, 2021, recommending the PaPUC deny the inclusion of waived late fees, waived reconnect fees, and additional interest costs. The ALJ decision recommended deferral of additional uncollectible costs not embedded in rates and COVID-19 related incremental direct costs and savings. The Company filed exceptions to this recommended decision on July 20, 2021 and reply exceptions on July 30, 2021, with a final order from the PaPUC expected later in the third quarter of 2021.

Consistent with these regulatory orders, the Company has recorded $44 million in regulatory assets and $5 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of June 30, 2021.

As of August 2, 2021, four states continue moratoria on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in ten states. The Company continues to monitor the COVID-19 pandemic and will continue to comply with the current ordered moratoria and any future moratoria implemented.

Recent Financing Activities

On May 10, 2021, American Water Capital Corp. ("AWCC") completed a $1.1 billion debt offering, which included the sale of $550 million aggregate principal amount of its 2.30% senior notes due 2031 and $550 million aggregate principal amount of its 3.25% senior notes due 2051. Net proceeds of this offering were used to lend funds to parent company and its regulated subsidiaries, to prepay $327 million in aggregate principal amount of AWCC's outstanding senior notes, to repay AWCC's commercial paper obligations and for general corporate purposes. See Note 8—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

As a result of AWCC's prepayment of the various senior notes, a make-whole premium of $15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

Financial Results

For the three and six months ended June 30, 2021, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), were $1.14 and $1.87, respectively, an increase of $0.17 and $0.22 per diluted share, respectively, as compared to the prior year. These increases were primarily driven by continued growth in the Regulated Businesses from infrastructure investment, acquisitions and organic growth, and warmer and drier than normal weather in the second quarter of 2021 in the Northeast. These increases were partially offset by additional costs associated with an increase in claims in 2021 in Homeowner Services Group ("HOS"), including from extreme cold weather across the country during the first quarter of 2021, primarily in Texas and Illinois.

Growth—through capital investment in infrastructure and regulated acquisitions, as well as strategic growth opportunities in the Market-Based Businesses

The Company expects to continue to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. The Company expects to grow the Market-Based Businesses by leveraging its core water and wastewater competencies. The Company plans to invest approximately $1.9 billion across its footprint in 2021. During the first six months of 2021, the Company invested $782 million, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- $735 million capital investment in the Regulated Businesses, the majority for infrastructure improvements and replacements; and
- $39 million to fund acquisitions, including deposits discussed below, in the Regulated Businesses, which added approximately 2,500 water and wastewater customers through the six months ended June 30, 2021, in addition to approximately 8,200 customers added through organic growth through the six months ended June 30, 2021.

On April 6, 2021, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for $235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system currently directly and indirectly through bulk contracts serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company's Pennsylvania subsidiary paid a $20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition by the end of 2021, pending regulatory approval.

During July 2021, the Company closed on the acquisition of one regulated wastewater system adding approximately 500 customers, for a total aggregate purchase price of $4 million. As of August 2, 2021, the Company has entered into agreements for pending acquisitions in the Regulated Businesses to add approximately 86,900 additional customers.

Sale of New York American Water Company, Inc.

On November 20, 2019, the Company and the Company's New York subsidiary entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with Liberty Utilities Co., which it subsequently assigned to its indirect, wholly owned subsidiary Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), pursuant to which Liberty will purchase all of the capital stock of the New York subsidiary (the "Stock Purchase") for an aggregate purchase price of approximately $608 million in cash, subject to adjustment as provided in the Stock Purchase Agreement. The Company's regulated New York operations have approximately 125,000 customers in the State of New York. Algonquin Power & Utilities Corp., Liberty's ultimate parent company, executed and delivered an absolute and unconditional guaranty of the performance of all of the obligations of Liberty under the Stock Purchase Agreement. The Stock Purchase is subject to various conditions, including obtaining approvals and satisfying or waiving other closing conditions. The Stock Purchase Agreement as originally executed provided for an initial termination date of June 30, 2021 (the "Closing End Date"). On June 29, 2021, the parties mutually agreed to extend the Closing End Date to December 31, 2021 in accordance with the terms of the Stock Purchase Agreement, and agreed to extend further the Closing End Date to January 3, 2022 as December 31, 2021 is a federal holiday. No other provision of the Stock Purchase Agreement was modified by this mutual agreement. Liberty may also terminate the Stock Purchase Agreement if any governmental authority initiates a condemnation or eminent domain proceeding against a majority of the consolidated properties of the Company's New York subsidiary, taken as a whole.

In 2020, the Governor of New York proposed legislation that, among other things, required the New York State Department of Public Service ("NYSDPS") to study whether private water suppliers should be placed under municipal control. On February 3, 2021, the Governor issued a press release announcing that he directed the NYSDPS Special Counsel to commence and lead a municipalization feasibility study (the "Study"). The Study was released on March 29, 2021 finding that municipalization was feasible and in the public interest. The Study focused primarily on the imminent need for tax relief for the Company's New York subsidiary's customers and included recommendations to eliminate the Special Franchise Tax and create a new public authority to potentially acquire all or a portion of the system. Despite the Study's findings, the legislative session ended without passage of legislation to eliminate the Special Franchise Tax. However, the New York State Senate and New York State Assembly passed legislation creating the North Shore Water Authority ("NSWA") and the South Shore Water Authority ("SSWA"). The NSWA relates to a small portion of the New York subsidiary's service area (about 4,700 customers) while the SSWA relates to the largest portion of its service territory (about 120,000 customers). Both bills must be delivered to and signed by the Governor before they can become law. The Company's New York subsidiary continues to work constructively with the NYSDPS, including through ongoing settlement discussions held in April and July 2021 among all parties to the proceeding, and to take all actions necessary to facilitate the completion of the Stock Purchase. Subject to satisfying or waiving the various conditions to closing, and assuming no prior termination of the Stock Purchase Agreement by Liberty as described above, the Company remains confident that the Stock Purchase will be completed.

The assets and related liabilities of the Company's New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of June 30, 2021. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Operational Excellence

The Company's adjusted regulated O&M efficiency ratio, which is used as a measure of the operating performance of the Regulated Businesses, was 33.9% for the twelve months ended June 30, 2021, as compared to 34.3% for the twelve months ended June 30, 2020. The improvement in this ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure, and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of excess accumulated deferred income taxes. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

	For the Twelve Months Ended June 30,	
(Dollars in millions)	**2021**	**2020**
Total operation and maintenance expenses	$ 1,698	$ 1,581
Less:		
Operation and maintenance expenses—Market-Based Businesses	422	384
Operation and maintenance expenses—Other	(30)	(17)
Total operation and maintenance expenses—Regulated Businesses	1,306	1,214
Less:		
Regulated purchased water expenses	156	142
Allocation of non-operation and maintenance expenses	45	30
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,105	$ 1,042
Total operating revenues	$ 3,890	$ 3,690
Less:		
Operating revenues—Market-Based Businesses	562	533
Operating revenues—Other	(16)	(20)
Total operating revenues—Regulated Businesses	3,344	3,177
Less:		
Regulated purchased water revenues (a)	156	142
Revenue reductions for the amortization of excess accumulated deferred income taxes	(69)	—
Adjusted operating revenues—Regulated Businesses (ii)	$ 3,257	$ 3,035
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.9 %	34.3 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of excess accumulated deferred income tax ("EADIT") that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the current period:

(In millions)	During the Three Months Ended June 30,		During the Six Months Ended June 30,	
	2021	2020	2021	2020
General rate cases by state:				
Missouri (effective May 28, 2021)	$ 22	$ —	$ 22	$ —
New York (a)	7	—	7	—
Pennsylvania (effective January 28, 2021)	—	—	70	—
Indiana (b)	—	13	—	13
California (c)	—	—	—	5
Total general rate cases	$ 29	$ 13	$ 99	$ 18
Infrastructure surcharges by state:				
New Jersey (effective June 28, 2021, June 29, 2020 and January 1, 2020)	$ 14	$ 10	$ 14	$ 20
Indiana (effective March 17, 2021)	—	—	8	—
Pennsylvania (effective January 1, 2021, April 1, 2020 and January 1, 2020)	—	5	8	15
Illinois (effective January 1, 2021 and January 1, 2020)	—	—	7	7
West Virginia (effective January 1, 2021 and January 1, 2020)	—	—	5	3
Tennessee (d)	—	2	3	2
Missouri (effective June 27, 2020)	—	10	—	10
Total infrastructure surcharges	$ 14	$ 27	$ 45	$ 57

(a) The Company's New York subsidiary implemented additional annualized revenues of $7 million on May 1, 2021. The increase was deferred with interest from April 1, 2020.

(b) The Company's Indiana subsidiary filed for and, on May 4, 2020, received approval to implement a $13 million increase for the second rate year, effective May 1, 2020.

(c) The Company's California subsidiary received approval for the third year (2020) step increase associated with its most recent general rate case authorization, effective January 1, 2020.

(d) The Company's Tennessee subsidiary received approval for infrastructure surcharges for annualized incremental revenues of $3 million, effective January 1, 2021, and received approval on May 11, 2020 for infrastructure surcharges for annualized incremental revenues of $2 million, effective January 1, 2020.

On August 28, 2020, the Company's Iowa subsidiary filed a general rate case requesting $3 million in annualized incremental revenues. An order was issued on June 28, 2021 authorizing an increase of $1 million. On July 9, 2021, the Company's Iowa subsidiary filed a Motion for Clarification with respect to the required accelerated flow back of unprotected EADIT over a three-year period to recognize the increase to rate base and incremental revenues as the unprotected EADIT it amortized. The Company's Iowa subsidiary filed tariffs consistent with the Motion for Clarification on July 16, 2021, and is awaiting a decision from the Iowa Utilities Board on the Motion for Clarification before new rates are implemented.

Effective July 1, 2021, the Company's Kentucky subsidiary implemented infrastructure surcharges for annualized incremental revenues of $1 million.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of $22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of $72 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of $74 million is being returned to customers over 10 years. The $25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of $13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an Initial Decision ("ID") with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rates of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's ID without modification. The Company's New Jersey subsidiary is continuing to evaluate next steps, including grounds to move for reconsideration within the time permitted by law. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is $19 million. The overall increase, net of TCJA reductions, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting $32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is $1 million and the exclusion for infrastructure surcharges is $10 million.

On July 1, 2019, the Company's California subsidiary filed a general rate case requesting $29 million in annualized incremental revenues for 2021, and increases of $10 million and $11 million in the escalation year of 2022 and the attrition year of 2023, respectively. On October 11, 2019, the Company filed its 100-day update for the same proceeding and updated the request to $27 million in annualized incremental revenues for 2021, and increases of $10 million in both the escalation year of 2022 and the attrition year of 2023, respectively. On September 10, 2020, the California Public Utilities Commission (the "CPUC") approved the Company's California subsidiary's motion for interim rates, establishing a memorandum account to track the difference between interim and final rates adopted by the CPUC in this proceeding, which were effective on January 1, 2021. Following settlement discussions among all parties to the proceeding, on January 22, 2021 and January 25, 2021, the Company's California subsidiary filed with the CPUC a comprehensive settlement entered into among the Company's California subsidiary, the Public Advocates Office, and other intervenors. These settlement agreements resolved all matters in dispute among the parties to the settlements. These settlements, as well as resolution of issues raised by non-settling parties, are now before the CPUC for approval.

On January 22, 2020, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2021. On March 12, 2020, the CPUC granted the request for a one year extension of the cost of capital filing to May 1, 2021, to set its authorized cost of capital beginning January 1, 2022. On January 5, 2021, the Company's California subsidiary submitted a request to further delay by one year its cost of capital filing and maintain the authorized cost of capital through 2022. On February 22, 2021, the CPUC denied the request to further delay the cost of capital filing. The Company's California subsidiary submitted its cost of capital application on May 3, 2021. Once approved by the CPUC, the new authorized cost of capital will be effective January 1, 2022.

Pending Infrastructure Surcharge Filings

On June 30, 2021, the Company's West Virginia subsidiary filed for an infrastructure surcharge requesting $3 million in additional annualized revenues.

On June 28, 2021, the Company's Missouri subsidiary filed for an infrastructure surcharge requesting $7 million in additional annualized revenues.

Legislative Updates

During 2021, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of August 2, 2021:

- The Kentucky General Assembly adopted House Bill 465 relating to the acquisition of water and wastewater utilities. The legislation affirms a method in valuing water and wastewater systems above net book value and establishes a timeline of 60 days for Public Service Commission approval of an acquisition.
- Indiana House Enrolled Act 1287 creates a mechanism that reduces the required upfront cost to new customers for a water or wastewater utility to extend service to underserved areas.
- Indiana House Enrolled Act 349 establishes a tax rider for water and wastewater utilities based upon a change in state or federal income tax law. The legislation also requires the Indiana Finance Authority to prioritize loans that secure long-term benefits over shorter term projects.
- New Jersey passed Lead Service Line Replacement Bill, Senate Bill 3398/Assembly Bill 5343, which provides for the replacement of lead service lines within 10 years of the effective date of the bill and authorizes cost recovery of customer-owned lead service lines as an O&M expense plus interest through a semi-annual surcharge.

During 2021, the Company's regulatory jurisdictions enacted the following legislation that has been approved but is not yet effective as of August 2, 2021:

- New Jersey passed Senate Bill 647/House Bill 4825 which strengthens the state's existing Water Quality Accountability Act ("WQAA") by requiring the Department of Environmental Protection to adopt regulations to implement the WQAA, enhancing asset management plans and reporting, upgrading cyber security standards and adding criminal penalties for falsifying reports. Legislation is awaiting the Governor's signature.
- Illinois passed House Bill 414, Low Income Water & Sewer Financial Assistance Program, which authorizes the state's Department of Commerce and Economic Opportunity to institute a water and sewer assistance program for customers of privately and publicly owned systems. The program is modeled off the existing energy supplemental state Low Income Home Energy Assistance Program. Legislation is awaiting the Governor's signature.
- Missouri passed the Water and Sewer Infrastructure Act, Senate Bill 44/House Bill 397, to establish a new statewide surcharge mechanism program which covers replacement of aging water distribution and sewer collection infrastructure. This legislation broadens the eligible projects covered by the current Infrastructure System Replacement Surcharge mechanism and expands its applicability to projects across the state. Legislation has been signed by the Governor with an August 28, 2021 effective date.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity (a "CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added "Measure J" to the November 2018 election ballot asking voters to decide whether the Monterey Peninsula Water Management District (the "MPWMD") should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed.

In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. On June 12, 2020, the MPWMD issued a draft environmental impact report for the potential acquisition of the Monterey system assets and a related district boundary adjustment that would be required if the MPWMD were to acquire and operate certain of the Monterey system assets located outside the MPWMD's boundaries. On September 15, 2020, the MPWMD gave notice of its intention to appraise the Monterey system assets and related property interests. On September 29, 2020, the Company's California subsidiary declined to make the Monterey system assets and related property interests available for inspection or to comply with any of the other requests contained in the MPWMD's notice. On October 7, 2020, the MPWMD issued a final environmental impact report ("FEIR"), and on November 4, 2020, the MPWMD certified the FEIR, which purports to analyze the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. On November 25, 2020, the Company's California subsidiary filed a petition challenging this certification in court. A hearing on the matter is scheduled for August 30, 2021. See Item 3—Legal Proceedings—Challenge of Certification — Proposed Monterey System Final Environmental Impact Report in the Company's Form 10-K, and Part II, Item 1—Legal Proceedings in this Form 10-Q.

On February 26, 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. On June 28, 2021, LAFCO's board of directors voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. Approval by LAFCO is a precondition to the MPWMD's ability to file an eminent domain proceeding against the Company's California subsidiary to acquire the Monterey system assets. If the MPWMD were to make a final determination that an acquisition of the Monterey system assets is feasible, it would then need to file a multi-year eminent domain proceeding against the Company's California subsidiary. In that proceeding, it would first need to establish its right to take the Monterey system assets. If such right is established, the amount of just compensation to be paid to the California subsidiary for such assets would then need to be determined. The MPWMD has stated that it anticipates filing such an eminent domain proceeding in late 2021 or early 2022.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of $38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial has been scheduled for the week of October 25, 2021.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
(In millions)				
Operating revenues	$ 999	$ 931	$ 1,887	$ 1,775
Operating expenses:				
Operation and maintenance	431	391	850	774
Depreciation and amortization	158	152	315	297
General taxes	80	75	163	152
Total operating expenses, net	669	618	1,328	1,223
Operating income	330	313	559	552
Other income (expense):				
Interest, net	(101)	(101)	(199)	(197)
Non-operating benefit costs, net	19	12	39	25
Other, net	3	8	7	11
Total other income (expense)	(79)	(81)	(153)	(161)
Income before income taxes	251	232	406	391
Provision for income taxes	44	56	66	91
Net income attributable to common shareholders	$ 207	$ 176	$ 340	$ 300

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. The Company also operates market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses, which is consistent with how management assesses the results of these businesses.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
(In millions)				
Operating revenues	$ 857	$ 803	$ 1,612	$ 1,523
Operation and maintenance	325	299	645	597
Depreciation and amortization	151	144	298	279
General taxes	76	70	152	142
(Gain) on asset dispositions and purchases	—	(1)	—	(3)
Other income (expenses)	(49)	(56)	(97)	(110)
Income before income taxes	257	236	420	398
Provision for income taxes	42	58	70	98
Net income attributable to common shareholders	215	177	350	300

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
(In millions)				
Water services:				
Residential	$ 491	$ 474	$ 921	$ 873
Commercial	170	142	314	284
Fire service	37	36	74	73
Industrial	34	31	66	63
Public and other	63	62	116	118
Total water services	795	745	1,491	1,411
Wastewater services:				
Residential	38	33	74	64
Commercial	9	9	18	17
Industrial	1	—	2	1
Public and other	4	4	8	7
Total wastewater services	52	46	102	89
Other (a)	10	12	19	23
Total operating revenues	$ 857	$ 803	$ 1,612	$ 1,523

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
(Gallons in millions)				
Billed water services volumes:				
Residential	42,897	42,408	79,756	77,958
Commercial	18,680	15,798	34,578	32,878
Industrial	8,374	8,058	16,443	16,497
Fire service, public and other	12,544	11,085	23,407	22,631
Total billed water services volumes	82,495	77,349	154,184	149,964

For the three months ended June 30, 2021, operating revenues increased $54 million, primarily due to: (i) $53 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) $18 million increase in demand, primarily driven by (a) weather, including warmer and drier than normal weather in the second quarter of 2021 in the Northeast, and (b) lower demand in 2020 as a result of the COVID-19 pandemic; (iii) $8 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; and (iv) $24 million decrease in revenues due to the amortization of EADIT, which is generally offset with a reduction in income tax expense.

For the six months ended June 30, 2021, operating revenues increased $89 million, primarily due to: (i) $97 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) $20 million increase in demand, primarily driven by (a) weather, including warmer and drier than normal weather in the second quarter of 2021 in the Northeast, and (b) lower demand in 2020 as a result of the COVID-19 pandemic; (iii) $16 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; and (iv) $44 million decrease in revenues due to the amortization of EADIT, which is generally offset with a reduction in income tax expense.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
(In millions)				
Employee-related costs	$ 129	$ 119	$ 259	$ 244
Production costs	89	81	167	153
Operating supplies and services	58	54	115	110
Maintenance materials and supplies	23	19	47	38
Customer billing and accounting	15	13	32	27
Other	11	13	25	25
Total	$ 325	$ 299	$ 645	$ 597

For the three months ended June 30, 2021, operation and maintenance expense increased $26 million primarily due to (i) $10 million increase in employee-related costs primarily from higher headcount and related compensation expense in support of the growth in the business; (ii) $8 million increase in production costs primarily due to higher purchased water usage and costs across several subsidiaries; (iii) $4 million increase in operating supplies and services primarily due to higher fees related to contracted services; and (iv) $4 million increase in maintenance materials and supplies primarily due to timing of maintenance and tank painting projects in the Company's New Jersey subsidiary.

For the six months ended June 30, 2021, operation and maintenance expense increased $48 million, primarily due to: (i) $15 million increase in employee-related costs primarily from higher headcount and related compensation expense in support of the growth in the business; (ii) $14 million increase in production costs primarily due to higher purchased water usage in the Company's California subsidiary and increased fuel and power costs across several subsidiaries; (iii) $5 million increase in operating supplies and services primarily due to higher fees related to contracted services; (iv) $9 million increase in maintenance materials and supplies primarily due to timing of maintenance and tank painting projects in the Company's New Jersey subsidiary; and (v) $5 million increase in customer billing and accounting primarily due to higher uncollectible costs.

Depreciation and Amortization

For the three and six months ended June 30, 2021, depreciation and amortization increased $7 million and $19 million, respectively, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

For the three and six months ended June 30, 2021, general taxes increased $6 million and $10 million, respectively, primarily due to increased capital investments, including acquisitions and an increase in the New Jersey Gross Receipts Tax.

Other Income (Expenses)

For the three and six months ended June 30, 2021, other income (expenses) increased $7 million and $13 million, primarily due to the reduction in the non-service cost components of pension and other postretirement benefits expense resulting from higher asset returns.

Provision for Income Taxes

For the three and six months ended June 30, 2021, the Regulated Businesses' provision for income taxes decreased $16 million and $28 million, respectively. The Regulated Businesses' effective income tax rate was 16.3% and 24.6% for the three months ended June 30, 2021 and 2020, respectively, and 16.7% and 24.6% for the six months ended June 30, 2021 and 2020, respectively. The decrease in the Regulated Businesses' effective income tax rate for the three and six months ended June 30, 2021 was primarily due to an increase in the amortization of EADIT resulting from the TCJA, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Market-Based Businesses

Presented in the table below is information for the Market-Based Businesses:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
(In millions)				
Operating revenues	$ 146	$ 132	$ 283	$ 260
Operation and maintenance	112	94	219	185
Depreciation and amortization	6	7	11	13
Income before income taxes	26	30	48	60
Provision for income taxes	6	8	12	16
Net income attributable to common shareholders	19	23	36	45

Operating Revenues

For the three and six months ended June 30, 2021, operating revenues increased $14 million and $23 million, respectively, primarily due to an increase in capital and O&M projects in the Military Services Group ("MSG"), across several of the Company's military bases, primarily at the United States Military Academy at West Point, New York, Fort Leonard Wood and Joint Base San Antonio.

Operation and Maintenance

For the three months ended June 30, 2021, operation and maintenance expense increased $18 million, primarily due to (i) costs associated with MSG from increased capital upgrades as discussed above; and (ii) additional costs associated with an increase of claims in 2021 in HOS.

For the six months ended June 30, 2021, operation and maintenance expense increased $34 million primarily due to (i) costs associated with MSG from increased capital upgrades as discussed above; and (ii) additional costs associated with an increase of claims in 2021 in HOS, including from extreme cold weather across the country during the first quarter of 2021, primarily in Texas and Illinois.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company's Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, and, if and to the extent necessary, borrowings under AWCC's revolving credit facility, and, in the future, issuances of equity. The Company's revolving credit facility provides $2.25 billion in aggregate total commitments from a diversified group of financial institutions. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support, and to provide for the issuance of up to $150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is $2.10 billion. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million. The weighted-average interest rate on AWCC's outstanding short-term borrowings, including $500 million of outstanding principal on the Term Loan Facility (as defined below) as of December 31, 2020, was approximately 0.13% and 0.53% at June 30, 2021 and December 31, 2020, respectively.

To ensure adequate liquidity given the impacts of the COVID-19 pandemic on debt and capital markets, on March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). The proceeds were used for general corporate purposes of AWCC and American Water and to provide additional liquidity. As of December 31, 2020, $500 million of principal was outstanding under the Term Loan Facility. The Term Loan Facility commitments terminated at maturity on March 19, 2021 and the Term Loan Facility was repaid in full.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of June 30, 2021		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(606)	(76)	(682)
Remaining availability as of June 30, 2021	$ 1,494	$ 74	$ 1,568

(a) Total remaining availability of $1.57 billion as of June 30, 2021 may be accessed through revolver draws.

	As of December 31, 2020		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	$ 1,314	$ 74	$ 1,388

(a) Total remaining availability of $1.39 billion as of December 31, 2020 may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of June 30, 2021 and December 31, 2020, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of June 30, 2021	$ 70	$ 1,568	$ 1,638
Available liquidity as of December 31, 2020	$ 547	$ 1,388	$ 1,935

The Company believes that existing sources of liquidity are sufficient to meet its cash requirements for the foreseeable future. Though not currently anticipated, no assurances can be provided that the lenders will meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms. See Note 9—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

On May 10, 2021, AWCC completed a $1.1 billion debt offering, which included the sale of $550 million aggregate principal amount of its 2.30% senior notes due 2031 and $550 million aggregate principal amount of its 3.25% senior notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of $1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay $251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and $76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately $14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of $15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

On May 6, 2021, the Company entered into two 10-year treasury lock agreements, with notional amounts of $125 million and $150 million, to reduce interest rate exposure on debt, which was subsequently issued on May 10, 2021. These treasury lock agreements had an average fixed rate of 1.58%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. On May 10, 2021, the Company terminated these two treasury lock agreements with an aggregate notional amount of $275 million, realizing a net gain of less than $1 million, to be amortized through interest, net over a 10-year period, in accordance with the terms of the $1.1 billion new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the three and six months ended June 30, 2021 and 2020.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company's cash flows provided by operating activities:

	For the Six Months Ended June 30,	
	2021	2020
(In millions)		
Net income	$ 340	$ 300
Add (less):		
Depreciation and amortization	315	297
Deferred income taxes and amortization of investment tax credits	64	96
Other non-cash activities (a)	(45)	(30)
Changes in working capital (b)	(136)	(104)
Settlement of cash flow hedges	—	(6)
Pension and postretirement healthcare contributions	(18)	(22)
Net cash flows provided by operating activities	$ 520	$ 531

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net, less the settlement of cash flow hedges.

For the six months ended June 30, 2021, cash flows provided by operating activities decreased $11 million, due to a decrease in deferred income taxes and amortization of investment tax credits primarily driven by an increase in the amortization of EADIT and an increase in changes in working capital partially offset by an increase in net income.

Cash Flows Used in Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows used in investing activities:

	For the Six Months Ended June 30,	
	2021	2020
(In millions)		
Net capital expenditures	$ (752)	$ (870)
Acquisitions	(39)	(40)
Other investing activities, net (a)	(43)	(48)
Net cash flows used in investing activities	$ (834)	$ (958)

(a) Includes removal costs from property, plant and equipment retirements and proceeds from sale of assets.

For the six months ended June 30, 2021, cash used in investing activities decreased $124 million, primarily due to the timing of payments for capital expenditures. The Company plans to invest approximately $1.9 billion across its footprint in 2021.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows provided by financing activities:

	For the Six Months Ended June 30,	
	2021	2020
(In millions)		
Proceeds from long-term debt	$ 1,102	$ 1,163
Repayments of long-term debt	(364)	(166)
(Repayments of) proceeds from term loan	(500)	500
Net proceeds from (repayments of) short-term borrowings	(176)	(367)
Debt issuance costs and make-whole premium on early debt redemption	(26)	(12)
Dividends paid	(209)	(190)
Other financing activities, net (a)	15	13
Net cash flows (used in) provided by financing activities	$ (158)	$ 941

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the six months ended June 30, 2021, cash flows provided by financing activities decreased $1,099 million, primarily due to the $500 million borrowed under the Term Loan Facility during the first quarter of 2020 which was repaid in full at maturity in 2021 and an increase in repayments of long-term debt due to the prepayment of $327 million in aggregate principal amount of AWCC's outstanding senior notes during the second quarter of 2021, partially offset by lower net repayments of commercial paper borrowings.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company or its subsidiaries may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On June 30, 2021, the Company's ratio was 0.62 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of August 2, 2021 as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. None of the Company's borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, energy, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 7—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

Financial condition of the Company, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2020.

The Company had no significant derivative instruments outstanding as of June 30, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

American Water maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2021.

Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2021, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Form 10-K in Part I, Item 3—Legal Proceedings, and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 in Part II, Item 1—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with SWRCB Orders to Reduce Carmel River Diversions

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirement schedule contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

Coastal Development Permit Application

In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. The original jurisdiction application remains pending.

Desalination Plant Development Permit

On May 25, 2021, Cal Am filed a notice of appeal as to the Monterey County Superior Court's January 21, 2021 decision granting in part and denying in part MCWD's petition that challenged Monterey County's approval of Cal Am's combined development permit application. The notice of appeal seeks to challenge the court's decision on Monterey County's statement of overriding considerations. Monterey County filed a notice of appeal as to the same issue on May 26, 2021. On June 22, 2021, MCWD filed cross-appeals on its claims that had been denied by the court.

Challenge of Certification — Proposed Monterey System Acquisition Final Environmental Impact Report

On November 25, 2020, the Company's California subsidiary filed a petition for writ of mandate in Monterey County Superior Court challenging certification of the issuance of a FEIR by MPWMD for the potential acquisition of the Monterey system assets. A hearing on the matter is scheduled for August 30, 2021.

Dunbar, West Virginia Water Main Break Class Action Litigation

On remand of this case to the Circuit Court for further consideration in light of a recent Supreme Court of Appeals decision issued in another case relating to the class certification issued raised, a briefing schedule has been set and, following briefing by all parties, oral argument on the issue of class certification was heard on July 16, 2021. This matter remains pending.

Other Matters

On April 2, 2021, American Water Resources, LLC ("AWR"), an indirect, wholly owned subsidiary of the parent company, received a grand jury subpoena for certain of its records in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY"). A portion of HOS, which provides warranty protection programs and other home services to residential customers, is conducted through AWR. The subpoena seeks information about AWR's operations and its contractor network in the New York City metropolitan area. Based on the subpoena and discussions with the EDNY, the investigation does not appear to be focused on the parent company or the operations of any of its other subsidiaries. AWR is fully cooperating with the investigation. While it is not possible at this time to predict the outcome of the investigation or determine the amount, if any, of fines, penalties or other liabilities that may be incurred in connection with it, the Company does not currently believe that the investigation will have a material adverse effect on the Company's results of operations, financial condition or liquidity.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in the Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A—Risk Factors in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended June 30, 2021. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through June 30, 2021, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Adoption of Change of Control Severance Policy

On July 27, 2021, the Executive Development and Compensation Committee (the "Committee") of the Board of Directors of parent company (the "Board"), in consultation with the Committee's independent compensation consultant, approved the adoption of a Change of Control Severance Policy (the "Policy"). The Policy provides, subject to certain conditions and limitations, benefits to each of parent company's officers as defined under rules promulgated under Section 16 of the Exchange Act (each, a "Covered Executive") in the event of an involuntary termination of the Covered Executive's employment with the Company without "cause" or if the Covered Executive resigns from employment for "good reason" and within 24 months after the consummation of a "change of control" (each as defined in the Policy) of parent company (a "Covered Termination"). The benefits and payments provided under the Policy are designed to replace and enhance existing benefits payable under the Company's Executive Severance Policy with respect to a Covered Termination of a Covered Executive following a change of control; however, the Executive Severance Policy remains in effect for employees covered by that policy with respect to an involuntary termination of employment without cause other than following a change of control. In accordance with the Committee's charter, the Policy was also approved by the independent members of the Board on July 28, 2021.

The Policy provides that, in the event of a Covered Termination, the Chief Executive Officer and each other Covered Executive would be eligible to receive three times and two times, respectively, the sum of (1) such Covered Executive's annual base salary on the termination date of employment (the "Termination Date") and (2) the greater of the last annual award paid to the Covered Executive under the Company's Annual Performance Plan (the "APP") or the average of the last three such annual APP awards. A Covered Executive will also receive Company-paid COBRA coverage for health, dental and vision benefits for the maximum statutory period, and benefits under any applicable nonqualified deferred compensation plan will be deemed to be fully vested. A Covered Executive will continue to be eligible to participate for six months in the Company's Employee Assistance Plan and will receive up to 12 months of outplacement services. The Policy also provides that, in the event of a Covered Termination, a Covered Executive would be entitled to receive unpaid base salary due for periods prior to the Termination Date, all of the Covered Executive's accrued and unused vacation through the Termination Date, and reimbursement of all properly documented reasonable and necessary expenses incurred in connection with employment prior to the Termination Date.

The Policy is deemed to be a plan of the Company covered by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Policy includes a process to appeal the denial of benefits under ERISA. The Company will not gross up any payments under the Policy for excise taxes imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to a change of control. If the total of lump sum severance payments under the Policy would exceed limits defined in Section 280G of the Code and would result in the imposition of an excise tax under Section 4999 of the Code, the Covered Executive's benefits will be determined based on a "best net benefit" provision. Compensation payable under the Policy is intended to comply with Section 409A of the Code. Before receiving any severance benefits under the Policy, a Covered Executive will be required to execute a severance agreement and general release waiving any claims against the Company and agreeing to restrictive covenants addressing confidentiality, non-solicitation and non-competition.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
#2.1.1	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among the Company, the Company's New York subsidiary, and Liberty Utilities (Eastern Water Holdings) Corp. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
4.1	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.2	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 14, 2021).
4.3	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 14, 2021).
*10.1	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Stock Unit Grant Form for Non-Employee Directors.
*10.2	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021.
*10.3	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021.
*31.1	Certification of Walter J. Lynch, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of M. Susan Hardwick, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of Walter J. Lynch, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of M. Susan Hardwick, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Filed herewith.

** Furnished herewith

The Stock Purchase Agreement filed as Exhibit 2.1.1 hereto has been included to provide investors and security holders with information regarding its terms. It is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the Stock Purchase Agreement (i) were made by the parties thereto only for purposes of that agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the Stock Purchase Agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the Stock Purchase Agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the Stock Purchase Agreement instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the Stock Purchase Agreement may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Stock Purchase Agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The Stock Purchase Agreement should not be read alone, but should instead be read in conjunction with the other information regarding the Company and its New York subsidiary that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 2nd day of August, 2021.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ WALTER J. LYNCH
Walter J. Lynch
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Vice President and Controller
(Principal Accounting Officer)

Exhibit 10.1

AMERICAN WATER WORKS COMPANY, INC.

2017 OMNIBUS EQUITY COMPENSATION PLAN

STOCK UNIT GRANT

This STOCK UNIT GRANT, dated as of May 12, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Board of Directors of the Company (the "Board") has determined to grant each non-employee director of the Company on the date of the Company's 2021 Annual Meeting of Shareholders a stock unit grant that will be converted to shares of common stock of the Company, par value $0.01 per share, (the "Company Stock") at a later date;

WHEREAS, the Participant is a non-employee director on the Board; and

WHEREAS, the Board has determined that the stock unit grant granted to the Participant shall be issued under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") and the terms and conditions of such stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Stock Units"). Each Stock Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable distribution date, as described in Paragraph 4 below.

2. Stock Unit Account. The Company shall establish and maintain a Stock Unit account as a bookkeeping account on its records (the "Stock Unit Account") for the Participant and shall record in such Stock Unit Account the number of Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Stock Unit Account established for the Participant.

3. Vesting. The Participant shall be fully vested in the Stock Units credited to the Participant's Stock Unit Account pursuant to this Grant on the Date of Grant.

4. Distribution. The Stock Units shall be converted to shares of Company Stock and distributed by the Company within thirty (30) days following the earlier of (i) August 12, 2022 (the "Specified Date") (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), (ii) the Participant's separation from service (within the meaning of section 409A of the Internal

Revenue Code of 1986, as amended (the "Code")) with the Company (the "Separation from Service Date"), or (iii) the date of a Change of Control (as defined below) (the "Change of Control Date"). At the time of distribution, all Stock Units shall be converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of this Grant, the term "Change of Control" shall have the same meaning as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Code and its corresponding regulations.

5. Deferrals. The Participant may make an irrevocable election to defer the Specified Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Stock Units, plus dividend equivalents earned on such Stock Units as described in Paragraph 6 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the deferred Specified Date cannot be earlier than five (5) years from the original Specified Date under Paragraph 4 (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Specified Date (or twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Specified Date, the Participant must elect to defer 100% of the Stock Units, including corresponding dividend equivalents, granted to the Participant under this Grant and complete the deferral election form provided to the Participant, in the form attached hereto as Exhibit A or as may subsequently modified in the discretion of the Board. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Separation from Service Date or Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant's Stock Units, plus corresponding dividend equivalents, will be made as a result of the occurrence of the Separation from Service Date or Change of Control Date, whichever is earlier. If a Specified Date is delayed one or more times pursuant to this Paragraph 5, the new Specified Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the earlier of the Specified Date (or the Deferred Date, if elected), Separation from Service Date or Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Stock Units credited to the Participant's Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Stock Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Stock Units, and, in the event of a Change of Control, the Board may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law. The Participant also hereby agrees to be bound by the terms and conditions of the Plan and this Grant. The Participant further agrees to be bound by the determinations and decisions of the Board with respect to this Grant and the Plan and the Participant's rights to benefits under this Grant and the Plan, and agrees that all such determinations and decisions of the Board shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) The obligation of the Company to deliver shares of Company Stock upon the distribution of the Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board. The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(b) As a condition to receive any shares of Company Stock upon conversion of the Stock Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and its Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the distribution of the Stock Units shall not be transferred or disposed of by any means until

the Participant owns enough shares of Company Stock, or shares underlying stock units convertible into shares of Company Stock, or time-based restricted Company Stock, to meet or exceed five (5) times the Participant's annual cash retainer, which ownership requirement must be satisfied by the fifth (5th) anniversary of the Participant's commencement of service as a director on the Board.

10. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Board in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Board shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder and the Participant's acceptance of this Grant is the Participant's agreement to be bound by the interpretations and decisions of the Board with respect to this Grant and the Plan.

11. No Rights as Shareholder. The Participant shall not have any rights as a shareholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Stock Units.

12. No Rights to Continued Service. This Grant shall not confer upon the Participant any right to be retained in the service of the Employer (as defined in the Plan) and shall not interfere in any way with the right to terminate the Participant's service at any time. The right to terminate at will the Participant's service at any time for any reason is specifically reserved.

13. Assignment and Transfers. No Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Stock Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Stock Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

14. Withholding. To the extent required by applicable law, the Participant shall be required to pay to the Company, or make other arrangements satisfactory to the Company to provide for the payment of, any federal, state, local or other taxes that the Company is required to withhold with respect to the Grant, vesting or distribution of the Stock Units and dividend equivalents.

15. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

16. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

17. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the records of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by facsimile, e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means), or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

18. Section 409A of the Code.

(a) This Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered to avoid any penalty sanctions under section 409A of the Code. If any distribution cannot be provided or made at the time specified herein or as elected by the Participant, then such distribution shall be provided in full at the earliest time thereafter when such sanctions cannot be imposed. Except according to a valid election made pursuant to Paragraph 5 above, in no event may the Participant designate the calendar year of distribution.

(b) Notwithstanding any provision to the contrary in this Grant, if any of the distributions under this Grant are payable to the Participant upon separation from service (within the meaning of section 409A of the Code) from the Employer, then if at the time of the Participant's separation from service the Participant is a "specified employee" (as such term is defined in section 409A(2)(B)(i) of the Code and its corresponding regulations) as determined by the Company (or any successor thereto) in its sole discretion in accordance with its specified employee determination policy, then all distributions to the Participant pursuant to this Grant shall be postponed for a period of six (6) months following the Participant's separation from service from the Employer. The postponed amounts shall be distributed to the Participant in a lump sum within thirty (30) days after the date that is six (6) months following the Participant's separation from service from the Employer. If the Participant dies during such six (6)-month period and prior to the distribution of the postponed amounts hereunder, the amounts delayed on account of section 409A of the Code shall be distributed to the personal representative of the Participant's estate within sixty (60) days after the date of the Participant's death, and any amounts not delayed shall be distributed to the personal representative of the Participant's estate in accordance with the terms of this Grant.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: **Walter Lynch**



Its: President and CEO

EXHIBIT A

SUBSEQUENT DEFERRAL ELECTION FORM

PART A. TIME OF DISTRIBUTION

I, _____, (the "Participant") hereby irrevocably elect to have all of the Stock Units, plus corresponding dividend equivalents, (the "Deferred Units") granted to me pursuant to the Stock Unit Grant, dated as of May 12, 2021, (the "Grant") under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") that would have been distributed by American Water Works Company, Inc. to me on the Specified Date (as defined in the Grant), instead be distributed to me on the deferred date designated below (the "Deferred Date"), which date must be at least five (5) years later than the Specified Date, and this election is at least twelve (12) months prior to the Specified Date (to make this deferral election you must defer all of the Stock Units, plus corresponding dividend equivalents, granted to you pursuant the Grant, meaning there is no partial deferral):

Number of Stock Units, and Dividend Equivalents, to be Further Deferred (All Must Be Deferred)	**Original Specified Date** (Election Must Be Made at Least 12 Months Prior to the Specified Date)	**Deferred Date** (Must be a date that is at least 5 years later than the Original Specified Date)
100%	August 12, 2022	

PART B. ACKNOWLEDGMENT

I understand and expressly agree that (i) the Deferred Date for the Deferred Units shall be the date I specified in Part A above (which is a date that is at least five (5) years later than the original Specified Date), and (ii) I will not be entitled to receive distribution of the Deferred Units on an earlier date, except in the event that the Separation from Service Date (as defined in the Grant) or the Change of Control Date (as defined in the Grant) occurs prior to the Deferred Date. I also understand and expressly agree that this deferral election is irrevocable, is being made at least twelve (12) months prior to the original Specified Date, and shall not take effect until twelve (12) months after the date on which I make this election. I further understand and agree that the terms and conditions of the Grant and the Plan are hereby incorporated into this form. Lastly, I understand and agree that this deferral election applies to 100% of the Stock Units, and corresponding dividend equivalents, granted to me pursuant to the Grant.

PARTICIPANT SIGNATURE

Participant: _____ Date: _____

Receipt Acknowledged:

By: _____

Title: _____ Date: _____

POLICY DOCUMENT

Executive Severance Policy

Policy Number: POL-_____

Applicability: American Water Works Company, Inc. ("Parent Company") and its controlled subsidiaries (together "American Water" or the "Company")

Effective Date: July 27, 2021

Executive Sponsor: SVP, Chief Human Resources Officer

Document Approver: VP, Compensation & Benefits

Document Owner: Director, Compensation

I. PURPOSE

The purpose of this Executive Severance Policy (this "Policy") is to set forth the severance benefits that will be provided to eligible executive employees of American Water. The Company specifically reserves its right to amend, modify or terminate this Policy in writing at any time (with or without notice) and at its sole discretion, by action of the Committee (as defined below) or its delegate. The Policy is intended to be an employee welfare benefit plan and severance pay plan for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). This document is also intended to serve as the summary plan description for the Policy.

II. POLICY STATEMENT

This Policy applies only to executive employees in American Water salary grade levels 70 and above who are not otherwise covered by an agreement that provides for severance benefits in the event of a covered termination of employment. For purposes of this Policy, an employee who is eligible and is not covered by an agreement that provides for severance benefits, will be referred to as an "Eligible Executive."

Before an Eligible Executive receives any severance benefits provided for under this Policy, the Eligible Executive will be required to execute a Severance Agreement and General Release ("Release") waiving any claims against the Company and agreeing to appropriate restrictive covenants dealing with confidentiality, non-solicitation and non-competition. The Company shall have no obligation to an Eligible Executive under this Policy unless and until the Eligible Executive timely executes a Release and any applicable revocation period has expired without the Eligible Executive revoking such Release. If an Eligible Executive's employment is terminated by the Company for Cause, the Eligible Executive resigns their employment, or their employment is terminated due to retirement, death or disability, the Company would not be obligated to pay severance benefits under this Policy to the Eligible Executive.

No term or provision in this Policy confers upon an Eligible Executive any rights to continued employment by the Company or obligates the Company to employ an Eligible Executive for any specific period of time or interferes with or restricts an Eligible Executive's or the Company's right to terminate employment at any time for any reason and with or without notice.

A. Accrued Wages, Vacation and Expenses

Without regard to the reason for, or the timing of, an Eligible Executive's termination of employment: (i) the Company will pay the Eligible Executive any unpaid base salary due for periods prior to the Termination Date; (ii) the Company will pay the Eligible Executive all of their accrued and unused vacation through the Termination Date; and (iii) following submission of proper expense reports by the Eligible Executive, the Company will

reimburse them for all expenses reasonably and necessarily incurred by them (and which comply with all other policies of the Company) in connection with their employment with the Company prior to the Termination Date. These payments will be made promptly upon termination and within the period of time mandated by law.

B. Severance Benefits for Termination without Cause

In the event an Eligible Executive's employment with the Company is involuntarily terminated by the Company without Cause, then the Eligible Executive shall be entitled to the severance benefits provided below, should the Eligible Executive execute (and not revoke, if applicable) a Release:

(i) Severance Pay. Each Eligible Executive shall receive severance pay in an amount equal to the base salary that would have been paid to the Eligible Executive for a period of time defined below based on the Eligible Executive's annual base salary in effect as of the Termination Date ("Severance Pay"). For purposes of this Policy, the "Termination Date" shall refer to the effective date of an Eligible Executive's termination of employment with the Company, which shall be the last day the Eligible Executive is employed by the Company.

Payments made under this Policy shall be made in accordance with the Release, net of applicable taxes and other lawful deductions, commencing within 60 days following the Eligible Executive's Termination Date, unless further delay is required by law.

Severance Pay for Eligible Executives under this Policy is based on the following time periods:

Salary Grade Level	Severance Period
100	18 months
70 – 95	12 months

(ii) Annual Performance Plan (APP). Each Eligible Executive shall receive a pro rata APP award for the year in which the Termination Date occurs to the extent such payment is made under the terms of the applicable APP. APP eligibility terminates on the Termination Date, and therefore, no APP award shall be earned or accrued for any period of time after the Termination Date.

(iii) Equity Grants. The terms and conditions set forth in the terms of an Eligible Executive's award based upon shares of the common stock of Parent Company including the terms of the plan under which such award was granted, shall govern the impact, if any, of the Eligible Executive's termination of employment on such awards after the Eligible Executive's Termination Date.

(iv) Health, Dental and Vision Coverage. An Eligible Executive will receive Company-paid COBRA benefits consistent with the chart below as of the Termination Date.

Salary Grade Level	Minimum Company paid COBRA benefits (less than 5 years of service)	At least 5 years of service, but less than 10 years of service	10 or more years of service
70 – 100	8 weeks	12 weeks	16 weeks

At the end of the period of Company-paid COBRA benefits, COBRA coverage may be continued by the Eligible Executive at their own expense, for the remaining balance of the statutory coverage period.

If an Eligible Executive is otherwise eligible to retire at the time of termination, they may, if eligible for retiree healthcare, begin retiree healthcare at the appropriate contribution levels after the Company-paid COBRA period expires.

(v) Nonqualified Deferred Compensation Plans/Qualified Retirement Plans. An Eligible Executive shall be deemed to have accrued service as of their Termination Date equivalent to the Severance Pay time period defined in

Section B.(i) under any applicable nonqualified deferred compensation or defined benefit retirement plans in which they participated as of the Termination Date solely for purposes of determining whether the Eligible Executive is vested (e.g., 5 years of service), but not for any other purpose. Nothing in this Policy affects an Eligible Executive's rights under any of the Company's qualified defined benefit pension plans. The timing of payment of the Eligible Executive's benefit under all nonqualified and qualified plans in which they participated prior to the Termination Date shall be governed by the terms of such plan.

(vi) Life Insurance. An Eligible Executive's life insurance benefits will terminate on the Termination Date. Eligible Executives interested in porting or converting their Basic and/or Voluntary Life Insurance to an individual policy must follow the terms of the policy documents.

(vii) Employee Assistance Plan. For a period of six months, an Eligible Executive shall continue to be eligible to participate in the Employee Assistance Plan provided by the Company, subject to the same terms and conditions as are applicable to then current active employees of the Company during the Severance Period.

(viii) Perquisites. All executive perquisites shall terminate effective as of the Eligible Executive's Termination Date.

(ix) Outplacement Services. Each Eligible Executive shall be entitled to outplacement services through a designated provider arranged by the Company for a period ending on the earlier of (i) 12 months following the Termination Date or (ii) the date the Eligible Executive commences employment with another employer. All outplacement services provided by the Company shall be subject to terms and conditions determined at the sole discretion of the Company. No cash shall be paid in lieu of outplacement services.

C. Section 409A

(i) Notwithstanding anything to the contrary in this Policy, if an Eligible Executive is a "specified employee" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, or any successor law or provision ("Section 409A") at the time of the Eligible Executive's termination of employment, then the severance payable to the Eligible Executive, if any, pursuant to this Policy, when considered together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits") that are payable within the first six months following the Eligible Executive's termination of employment, will become payable on the first payroll date that occurs on or after the date six months and one day following the date of the Eligible Executive's termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Eligible Executive dies following their termination but prior to the six-month anniversary of their termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable to the Eligible Executive's estate after the date of the Eligible Executive's death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Policy is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(ii) To the extent Section 409A applies, the Policy shall be interpreted to avoid the taxes and penalties imposed under Section 409A, and(1) each payment and benefit payable under this Policy is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations; (2) the term "termination of employment" shall mean the Eligible Executive's separation from service with the Company and its affiliates within the meaning of Section 409A; (3) all reimbursements and in-kind benefits provided under the Policy shall be made or provided in accordance with the requirements of Section 409A; (4) in no event may an Eligible Executive designate the year of payment for any amounts payable under the Policy; and (5) if the payments and benefits provided for under the Policy are subject to Section 409A, in no event shall the timing of an Eligible Executive's execution of the Release, directly or indirectly, result in the Eligible Executive designating the calendar year of payment, and if a payment that is subject to execution of the Release could be made in more than one taxable year, payment shall be made in the later taxable year.

(iii) This Policy is intended to satisfy the requirements of the "short-term deferral" exception, the "separation pay" exception, and any other applicable exception under Section 409A.

(iv) Notwithstanding the foregoing, there is no guaranty or assurance as to the tax treatment of benefits and payments under the Policy.

III. RESPONSIBILITIES

This Policy supersedes and hereby voids in their entirety any prior severance policy covering Eligible Executives.

For an Eligible Executive who is Parent Company's CEO, CFO or COO, the independent members of the Board of Directors of Parent Company (the "Board") shall have complete authority, in their sole discretion (subject to the express provisions of this Policy and the recommendations of the Executive Development and Compensation Committee (the "Committee") of the Board), to interpret this Policy and to make any determinations necessary or advisable for the administration of this Policy. For all other Eligible Executives, the Committee shall have complete authority, in its sole discretion (subject to the express provisions of this Policy) to interpret this Policy and to make any determinations necessary or advisable for the administration of this Policy.

For purposes of this Policy, the determination of whether an Eligible Executive's employment was terminated for "Cause" shall be determined at the sole discretion of the Committee or the Board (as the case may be, as described above) and the decision thereof shall be final and binding. The interpretations, determinations, and decisions of the Committee and the Board in all matters relating to the Policy that are within the scope of their respective authorities will be final and binding on all parties.

The Committee and the Board may delegate certain administrative or ministerial matters under this Policy to one or more officers of the Company (or their designees) as determined in the Committee's or Board's discretion.

IV. DEFINITION OF CAUSE

For purposes of this Policy, the term "Cause" shall mean a finding by the Committee or the Board, as the case may be, that the Eligible Executive (i) has breached any employment, service, non-competition, non-solicitation or other agreement or contract with the Company, if any, and, if such breach can be cured by the Eligible Executive, the breach remains uncured after the Eligible Executive receives notice of such breach and is afforded a period of not less than 30 days to remedy the breach; (ii) has persistently refused or willfully failed to perform substantially their duties and responsibilities to the Company, which continues after the Eligible Executive receives notice of such refusal or failure and is afforded a period of not less than 30 days to remedy the refusal or failure; (iii) has engaged in conduct that constitutes disloyalty to the Company or that materially damages the property, business or reputation of the Company; (iv) has engaged in fraud, embezzlement, theft, material misappropriation with respect the business or assets of the Company, or the proven commission of a felony; (v) has disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information; (vi) has breached any written non-competition or non-solicitation agreement between the Eligible Executive and the Company; or (vii) has engaged in such other behavior detrimental to the interests of the Company as the Committee or the Board determines.

V. WAIVERS; MODIFICATIONS

Any deviation or waiver from or exception to this Policy requires the prior written approval of the Board upon recommendation of the Committee for an Eligible Executive who is the CEO, CFO or COO of Parent Company, or the Committee for all other Eligible Executives.

VI. CONTACT INFORMATION; MONITORING

The Senior Vice President, Chief Human Resources Officer and the VP, Compensation and Benefits are responsible for assuring compliance with this Policy.

VII. MISCELLANEOUS

(i) Headings. The headings used in this document are for convenience of reference only and may not be given any weight in interpreting any provision of the Policy.

(ii) Severability. If a court of competent jurisdiction determines that any term, provision, or portion of the Policy is void, illegal, or unenforceable, the other terms, provisions, and portions of the Policy will remain in full force and effect, and the terms, provisions, and portions that are determined to be void, illegal, or unenforceable will either be limited so that they will remain in effect to the extent permissible by law, or the court will substitute, to the extent enforceable, provisions similar thereto or other provisions, so as to provide to the Company, to the fullest extent permitted by applicable law, the benefits intended by the Policy.

(iii) Governing Law. The Policy will be construed, administered, and regulated in accordance with the laws of the state of New Jersey (excluding any conflicts or choice of law rule or principle), except to the extent that those laws are preempted by federal law.

(iv) Complete Statement of Policy. This document contains a complete statement of the Policy's terms. The Policy may be amended, suspended, or terminated only in writing and then only as provided in Section 1. An Eligible Executive's right to any benefit of a type provided under the Policy will be determined solely in accordance with the terms of the Policy. No other evidence, whether written or oral, will be taken into account in interpreting the provisions of the Policy. Notwithstanding the preceding provisions of this subsection, for purposes of determining benefits with respect to an Eligible Executive, the Policy will be deemed to include the provisions of any other written agreement between the Company and the Eligible Executive to the extent such other agreement explicitly provides for the incorporation of some or all of its terms into the Policy.

(v) Incapacity. If the Plan Administrator determines that any Eligible Executive entitled to benefits under the Policy is unable to care for his or her affairs because of illness or accident, any payment due (unless a duly qualified guardian or other legal representative has been appointed) may be paid for the benefit of such Eligible Executive to his or her spouse, parent, brother, sister, or other party deemed by the Plan Administrator to have incurred expenses for such Eligible Executive.

(vi) Nonalienation. None of the payments, benefits or rights of any Eligible Executive shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of the Eligible Executive. No Eligible Executive shall have the right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which the Eligible Executive may expect to receive, contingently or otherwise, under this Policy.

VIII. GENERAL INFORMATION

- **Plan Name:** American Water Works Company, Inc. Executive Severance Policy
- **Plan Number:** 506
- **Employer/Plan Sponsor:** American Water Works Company, Inc.
- **Employer Identification Number:** 51-0063696
- **Type of Plan:** Welfare benefit – severance pay plan
- **Plan Administrator**: The Executive Development and Compensation Committee of the Board of Directors of American Water Works Company, Inc., at 1 Water Street, Camden, NJ 08102.
- **Agent for Service of Legal Process:** The Plan Administrator, at the above address
- **Sources of Contributions:** The Policy is unfunded and all benefits are paid from the general assets of the Company.
- **Type of Administration:** The Policy is administered by the Plan Administrator
- **Plan Year:** Calendar year

IX. CLAIMS AND APPEALS PROCEDURES

A terminated Eligible Executive does not need to apply for Policy benefits. However, if the terminated Eligible Executive or his or her authorized representative or beneficiary (a "Claimant") wishes to file a claim for benefits, the claim must be in writing and filed with the Committee (or the Board, with respect to Eligible Executives in salary grade level 100). References to the Committee in the remainder of this Section shall be deemed to refer to the Board in the case of Eligible Executives in salary grade level 100.

Adverse Benefit Determinations

If the Committee denies a claim in whole or in part, the Committee will provide notice to the Claimant, in writing, within 90 days after the claim is filed, unless the Committee determines that an extension of time for processing is required. If the Committee determines that the extension is required, it shall furnish written notice of the extension to the Claimant before the end of the initial 90-day period. The extension shall not exceed a period of 90 days from the end of the initial 90-day period and the extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit decision.

If the Committee denies the claim, it shall furnish a written notice of the denial that sets forth, in a manner calculated to be understood by the Claimant: (i) the specific reason or reasons for the denial; (ii) reference to the specific Severance Policy provisions on which the denial is based; (iii) a description of any additional material or information needed for the terminated employee to perfect the claim and an explanation as to why the information is needed; and (iv) an explanation of the Severance Policy's claims procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action in Federal district court under section 502(a) of ERISA following an adverse benefit determination on appeal.

Appeal of Adverse Benefit Determinations

If the initial claim is denied, the Claimant may appeal a claim denial to the Committee for a full and fair review. Specifically, the Claimant may: (i) request a review upon written notice to the Committee within 60 days after receipt of a notice of the denial of a claim for benefits; (ii) submit written comments, documents, records, and other information relating to the claim for benefits; and (iii) examine the Policy and obtain, upon request and without charge, copies of all documents, records, and other information relevant to the Claimant's claim for benefits.

The Committee's review shall take into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered by the Committee in the initial benefit determination. A determination on the review by the Committee will be made no later than 60 days after receipt of a request for review, unless the Committee determines that an extension of time for processing is required. If the Committee determines that the extension is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial 60-day period. The extension shall not exceed a period of 60 days from the end of the initial period and the extension notice shall indicate the special circumstances requiring an extension of time and the date on which the Committee expects to render the determination on review.

If the Committee denies the claim on appeal, it shall furnish a written determination that sets forth, in a manner calculated to be understood by the terminated employee: (i) the specific reason or reasons for the decision; (ii) reference to the specific Severance Policy provisions on which the decision is based; (iii) the terminated employee's right to receive, upon request and without charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits; and (iv) a statement of the claimant's right to bring a civil action in Federal district court under section 502(a) of ERISA.

Claims and Limitations

Claims under the Policy must be brought within a reasonable period of time (but not more than 12 months) following the earliest of (1) the date of an employee's termination of employment or (2) the date the Committee first denied the employee's claim for Policy benefits. If a Claimant follows the entire claims procedure as described above and at the end of the process the claim is denied by the Committee, the Claimant may bring a civil action in Federal district court under Section 502(a) of ERISA. However, any such action must be filed within 180 days after the date of the Committee's final decision on the claim. Any

such legal action must be brought in a court of competent jurisdiction in the state of New Jersey. Any claim or action filed after the expiration of these periods will be time-barred.

No person may bring an action for any alleged wrongful denial of Policy benefits in a court of law unless the claims procedures set forth above are exhausted and a final determination is made by the Committee. If the terminated employee challenges a decision of the Committee in court, judicial review will be limited to the facts, evidence and issues presented to the Committee during the claims procedure set forth above. Issues not raised with the Committee will be deemed waived.

X. ERISA RIGHTS STATEMENT

As a participant in the Policy, you are entitled to certain rights and protections under ERISA. ERISA provides that all Policy participants shall be entitled to:

Receive Information about Your Plan and Benefits

- Examine, without charge, at the Committee's office and at other specified locations, such as worksites and union halls, all documents governing the plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Committee, copies of documents governing the operation of the plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Committee may make a reasonable charge for the copies.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the plan and do not receive them within thirty (30) days, you may file suit in federal court as described above. In such a case, the court may require the Committee to provide the materials and pay you up to one hundred ten dollars ($110) a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that the plan fiduciaries misuse the plan's money or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your plan, you should contact the Committee. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S.

Department of Labor, 200 Constitution Avenue NW, Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publication hotline of the Employee Benefits Security Administration.

Appendix – Summary of Policies & Practices Related to Executive Severance Policy

Policy	Related Practice
Change of Control Severance Policy	
Separation of Employment Policy	

POLICY DOCUMENT

Change of Control Severance Policy

Policy Number: POL-_____ **Effective Date:** 07/27/2021

Applicability: American Water Works Company, Inc. ("Parent Company") and its controlled subsidiaries (together "American Water" or the "Company")

Executive Sponsor: SVP, Chief Human Resources Officer

Document Approver: VP, Compensation & Benefits

Document Owner: Director, Compensation

I. PURPOSE

The purpose of this Change of Control Severance Policy (the "Policy") is to provide assurances of specified benefits to Eligible Executives of the Company whose employment is subject to being involuntarily terminated other than for death, disability, or Cause or voluntarily terminated for Good Reason in connection with a Change of Control as described in the Policy. The Policy is intended to: (a) assure that the Company will have the continued dedication and objectivity of its Eligible Executives, notwithstanding the possibility, threat or occurrence of a Change of Control and (b) provide Eligible Executives with an incentive to continue their employment and to maximize the value of the Company prior to and following a Change of Control for the benefit of the Company's stockholders. This Policy sets forth the severance benefits that will be provided to Eligible Executives of American Water in the event of a Change of Control. The Company specifically reserves its right to amend, modify or terminate this Policy in writing at any time (with or without notice) and at its sole discretion, by action of the Committee (as defined below) or its delegate. The Policy is intended to be an employee welfare benefit plan and severance pay plan for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). This document is also intended to serve as the summary plan description for the Policy.

II. POLICY STATEMENT

This Policy applies only to employees who (i) have been determined by the Board of Directors of Parent Company (the "Board") to be an "officer," as such term is defined in Rule 16a-1(f) promulgated under the Securities Exchange Act of 1934, as amended, as such rule may be in effect from time to time, with respect Parent Company, and (ii) are not otherwise covered by an agreement that provides for severance benefits in the event of a covered termination of employment. For purposes of this Policy, an employee who is eligible and is not covered by an agreement that provides for severance benefits, will be referred to as an "Eligible Executive."

Before an Eligible Executive receives any severance benefits provided for under this Policy, the Eligible Executive will be required to execute a Severance Agreement and General Release ("Release") waiving any claims against the Company and agreeing to appropriate restrictive covenants dealing with confidentiality, non-solicitation and non-competition. The Company shall have no obligation to an Eligible Executive under this Policy unless and until the Eligible Executive timely executes a Release and any applicable revocation period has expired without the Eligible Executive revoking such Release. If an Eligible Executive's employment is terminated by the Company for Cause, the Eligible Executive resigns their employment, or their employment is terminated due to retirement, death or disability, the Company would not be obligated to pay severance benefits under this Policy to the Eligible Executive.

No term or provision in this Policy confers upon an Eligible Executive any rights to continued employment by the Company or obligates the Company to employ an Eligible Executive for any specific period of time or interferes with or restricts an Eligible Executive's or the Company's right to terminate employment at any time for any reason and with or without notice.

A. Accrued Wages, Vacation and Expenses

Without regard to the reason for, or the timing of, an Eligible Executive's termination of employment: (i) the Company will pay the Eligible Executive any unpaid base salary due for periods prior to the Termination Date; (ii) the Company will pay the Eligible Executive all of their accrued and unused vacation through the Termination Date; and (iii) following submission of proper expense reports by the Eligible Executive, the Company will reimburse them for all expenses reasonably and necessarily incurred by them (and which comply with all other policies of the Company) in connection with their employment with the Company prior to the Termination Date. These payments will be made promptly upon termination and within the period mandated by law.

B. Severance Benefits for Termination without Cause or Resignation for Good Reason in Connection with a Change of Control

In the event the Eligible Executive's employment with the Company is involuntarily terminated by the Company without Cause or if the Eligible Executive resigns from employment for Good Reason, and such termination occurs within the period beginning on the date a Change of Control is consummated and ending 24 months after such date, then Eligible Executive shall be entitled to the severance benefits provided below.

(i) Severance Pay. An Eligible Executive shall receive severance pay, net of applicable taxes and other lawful deductions, which shall be paid to such Eligible Executive in accordance with the Release, either in regular equal payroll installments or as a lump sum commencing within 60 days following the Eligible Executive's Termination Date ("Severance Pay"), in an amount equal to:

(a) For an Eligible Executive in level 100, an amount equal to 3 times the sum of (a) annual base salary at the Termination Date and (b) the greater of the Eligible Executive's last annual award under the APP or the average of the Eligible Executive's last three annual awards under the APP.

(b) For Eligible Executives other than in level 100, an amount equal to 2 times the sum of (a) annual base salary at the Termination Date and (b) the greater of the Eligible Executive's last annual award under the APP or the average of the Eligible Executive's last three annual awards under the APP.

(ii) Equity Grants. The terms and conditions set forth in the terms of an Eligible Executive's award based upon shares of the common stock of Parent Company, including the terms of the plan under which such award was granted, shall govern the impact, if any, of the Eligible Executive's termination of employment in connection with a Change of Control on such awards after the Eligible Executive's Termination Date.

(iii) Health, Dental and Vision Coverage. An Eligible Executive will receive Company-paid COBRA benefits for the maximum statutory period; provided, however, that if the Eligible Executive becomes employed with another employer and receives such health and welfare benefits under such other employer's plan, the Company's health and welfare benefits will be secondary to those provided under such other plan.

(iv) Nonqualified Deferred Compensation Plan. An Eligible Executive's benefits shall be deemed to be fully vested under any applicable nonqualified deferred compensation plan. The timing of payment of the Eligible Executive's benefit under such nonqualified deferred compensation plan shall be governed by the terms of such plan.

(v) Life Insurance. An Eligible Executive's life insurance benefits will terminate on the Termination Date. Eligible Executives interested in porting or converting their Basic and/or Voluntary Life Insurance to an individual policy must follow the terms of the policy documents.

(vi) Employee Assistance Plan. For a period of six months, an Eligible Executive shall continue to be eligible to participate in the Employee Assistance Plan provided by Company, subject to the same terms and conditions as are applicable to then-current active employees of the Company during the Severance Period.

(vii) Perquisites. All executive perquisites shall terminate effective as of the Eligible Executive's Termination Date.

(viii) Outplacement Services. Each Eligible Executive shall be entitled to outplacement services through a designated provider arranged by the Company for a period ending on the earlier of (i) 12 months following the Termination Date or (ii) the date the Eligible Executive commences employment with another employer. All outplacement services provided by the Company shall be subject to terms and conditions determined at the sole discretion of the Company. No cash shall be paid in lieu of outplacement services.

C. Section 409A

(i) Notwithstanding anything to the contrary in this Policy, if an Eligible Executive is a "specified employee" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "IRC"), or any successor law or provision ("Section 409A"), at the time of the Eligible Executive's termination of employment, then the severance payable to the Eligible Executive, if any, pursuant to this Policy, when considered together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits") that are payable within the first six months following the Eligible Executive's termination of employment, will become payable on the first payroll date that occurs on or after the date six months and one day following the date of the Eligible Executive's termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Eligible Executive dies following their termination but prior to the six-month anniversary of their termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable to the Eligible Executive's estate after the date of the Eligible Executive's death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Policy is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(ii) To the extent Section 409A applies, the Policy shall be interpreted to avoid the taxes and penalties imposed under Section 409A, and(1) each payment and benefit payable under this Policy is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations; (2) the term "termination of employment" shall mean the Eligible Executive's separation from service with the Company and its affiliates within the meaning of Section 409A; (3) all reimbursements and in-kind benefits provided under the Policy shall be made or provided in accordance with the requirements of Section 409A; (4) in no event may an Eligible Executive designate the year of payment for any amounts payable under the Policy; and (5) if the payments and benefits provided for under the Policy are subject to Section 409A, in no event shall the timing of an Eligible Executive's execution of the Release, directly or indirectly, result in the Eligible Executive designating the calendar year of payment, and if a payment that is subject to execution of the Release could be made in more than one taxable year, payment shall be made in the later taxable year.

(iii) This Policy is intended to satisfy the requirements of the "short-term deferral" exception, the "separation pay" exception, and any other applicable exception under Section 409A.

(iv) Notwithstanding the foregoing, there is no guaranty or assurance as to the tax treatment of benefits and payments under the Policy.

D. Section 280G

The Company will not gross up any payments under this Policy for excise taxes imposed by Section 4999 of the IRC.

Notwithstanding anything herein to the contrary, if any of the payments or benefits received or to be received by an Eligible Executive pursuant to this Policy (which will not include any portion of payments allocated to any non-solicitation or non-competition covenants or agreements classified as payments of reasonable compensation for purposes of Section 280G of the IRC), when taken together with payments and benefits provided to an Eligible Executive under any other plans, contracts, policies or arrangements with the Company (all such payments and

benefits, the “Total Payments”), will be subject to any excise tax imposed under Section 4999 of the IRC (together with any interest or penalties, the “Excise Tax”), then such Total Payments will be reduced to the extent necessary so that no portion thereof will be subject to the Excise Tax; provided, however, that if an Eligible Executive would receive in the aggregate greater value (as determined under Section 280G of the IRC and the regulations thereunder) on an after-tax basis and as if the Total Payments were not subject to such reduction, then no such reduction will be made. To effectuate the reduction described above, if applicable, the Company will first reduce or eliminate the payments and benefits provided under this Policy.

III. RESPONSIBILITIES

For an Eligible Executive who is Parent Company’s CEO, CFO or COO, the independent members of the Board shall have complete authority, in their sole discretion (subject to the express provisions of this Policy and the recommendations of the Executive Development and Compensation Committee (the “Committee”) of the Board), to interpret this Policy and to make any determinations necessary or advisable for the administration of this Policy. For all other Eligible Executives, the Committee shall have complete authority, in its sole discretion (subject to the express provisions of this Policy) to interpret this Policy and to make any determinations necessary or advisable for the administration of this Policy.

For purposes of this Policy, the determination of whether an Eligible Executive’s employment was terminated for “Cause” shall be determined at the sole discretion of the Committee or the Board (as the case may be as described above) and the decision thereof shall be final and binding. The interpretations, determinations, and decisions of the Committee and the Board in all matters relating to the Policy that are within the scope of their respective authorities will be final and binding on all parties.

The Committee and the Board may delegate certain administrative or ministerial matters under this Policy to one or more officers of the Company (or their designees) as determined in the Committee’s or Board’s discretion.

IV. DEFINITIONS

Cause – a finding by the Committee or the Board as the case may be, that the Eligible Executive (i) has breached any employment, service, non-competition, non-solicitation or other agreement or contract with the Company, if any, and, if such breach can be cured by the Eligible Executive, the breach remains uncured after the Eligible Executive receives notice of such breach and is afforded a period of not less than 30 days to remedy the breach; (ii) has persistently refused or willfully failed to perform substantially their duties and responsibilities to the Company, which continues after the Eligible Executive receives notice of such refusal or failure and is afforded a period of not less than 30 days to remedy the refusal or failure; (iii) has engaged in conduct that constitutes disloyalty to the Company or that materially damages the property, business or reputation of the Company; (iv) has engaged in fraud, embezzlement, theft, material misappropriation with respect the business or assets of the Company, or the proven commission of a felony; (v) has disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information; (vi) has breached any written non-competition or non-solicitation agreement between the Eligible Executive and the Company; or (vii) has engaged in such other behavior detrimental to the interests of the Company as the Committee or the Board determines.

Change of Control – a change of control shall be deemed to have occurred if:

(i) Any “person” (as such term is used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (“Exchange Act”)) becomes (x) during the 12-month period ending on the date of any acquisition of securities, a “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 35% of the voting power of the then outstanding securities of the Company, or (y) a “beneficial owner,” as defined in clause (x) above, of more than 50% of the voting power of the then outstanding securities of the Company;

(ii) The consummation of (a) a merger or consolidation of the Company with another corporation where the stockholders of the Company, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation, shares entitling such stockholders to more than 50% of all votes to which all shareholders of the surviving corporation would be entitled in the election of directors, or (b) a sale or other disposition of all or substantially all of the assets of the Company; or

(iii) During any period of 12 consecutive months, directors are elected such that a majority of the members of the Board are individuals who shall not have been members of the Board of Directors at the beginning of such 12-month period, except (x) in the case of a director's death or (y) the election or nomination for election of each new director who was not a director at the beginning of such 12-month period where such election was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period.

Good Reason – means any of the following circumstances, provided that (a) the Eligible Executive provides written notification of such circumstances to the Company (or, if applicable, a Subsidiary) no later than 90 days from the original occurrence of such circumstances, (b) the Company (or the Subsidiary) fails to fully correct such circumstances within 30 days of receipt of such notification, and (c) the Eligible Executive terminates their employment with the Company within 12 months after the original occurrence of such circumstances:

(i) a material diminution in the authority, duties or responsibilities of the Eligible Executive from those in effect immediately prior to a Change of Control;

(ii) a material reduction in the Eligible Executive's base compensation as in effect immediately before the Change of Control;

(iii) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the Eligible Executive is required to report, from those in effect immediately prior to the Change of Control; or

(iv) the Company's (or, if applicable, Subsidiary's) requiring the Eligible Executive to be based in any office or location more than 50 miles from that location at which they performed their services immediately prior to the Change of Control, except for travel reasonably required in the performance of the Eligible Executive's responsibilities.

V. WAIVERS; MODIFICATIONS

Any deviation or waiver from or exception to this Policy requires the prior written approval of the Board upon recommendation of the Committee for an Eligible Executive who is the CEO, CFO or COO of Parent Company, and the prior written approval of the Committee for all other Eligible Executives.

VI. CONTACT INFORMATION; MONITORING

The Senior Vice President, Chief Human Resources Officer and the VP, Compensation and Benefits are responsible for compliance with this Policy.

VII. MISCELLANEOUS

(i) Headings. The headings used in this document are for convenience of reference only and may not be given any weight in interpreting any provision of the Policy.

(ii) Severability. If a court of competent jurisdiction determines that any term, provision, or portion of the Policy is void, illegal, or unenforceable, the other terms, provisions, and portions of the Policy will remain in full force and effect, and the terms, provisions, and portions that are determined to be void, illegal, or unenforceable will either be limited so that they will remain in effect to the extent permissible by law, or the court will substitute, to the extent enforceable, provisions similar thereto or other provisions, so as to provide to the Company, to the fullest extent permitted by applicable law, the benefits intended by the Policy.

(iii) Governing Law. The Policy will be construed, administered, and regulated in accordance with the laws of the state of New Jersey (excluding any conflicts or choice of law rule or principle), except to the extent that those laws are preempted by federal law.

(iv) Complete Statement of Policy. This document contains a complete statement of the Policy's terms. The Policy may be amended, suspended, or terminated only in writing and then only as provided in Section 1. An Eligible Executive's right to any benefit of a type provided under the Policy will be determined solely in accordance with the terms of the Policy. No other evidence, whether written or oral, will be taken into account in interpreting

the provisions of the Policy. Notwithstanding the preceding provisions of this subsection, for purposes of determining benefits with respect to an Eligible Executive, the Policy will be deemed to include the provisions of any other written agreement between the Company and the Eligible Executive to the extent such other agreement explicitly provides for the incorporation of some or all of its terms into the Policy.

(v) Incapacity. If the Plan Administrator determines that any Eligible Executive entitled to benefits under the Policy is unable to care for his or her affairs because of illness or accident, any payment due (unless a duly qualified guardian or other legal representative has been appointed) may be paid for the benefit of such Eligible Executive to his or her spouse, parent, brother, sister, or other party deemed by the Plan Administrator to have incurred expenses for such Eligible Executive.

(vi) Nonalienation. None of the payments, benefits or rights of any Eligible Executive shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of the Eligible Executive. No Eligible Executive shall have the right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which the Eligible Executive may expect to receive, contingently or otherwise, under this Policy.

VIII. GENERAL INFORMATION

- **Plan Name:** American Water Works Company, Inc. Executive Severance Policy
- **Plan Number:**
- **Employer/Plan Sponsor:** American Water Works Company, Inc.
- **Employer Identification Number:** 51-0063696
- **Type of Plan:** Welfare benefit – severance pay plan
- **Plan Administrator**: The Executive Development and Compensation Committee of the Board of Directors of American Water Works Company, Inc., at 1 Water Street, Camden, NJ 08102
- **Agent for Service of Legal Process:** The Plan Administrator, at the above address
- **Sources of Contributions:** The Policy is unfunded and all benefits are paid from the general assets of the Company.
- **Type of Administration:** The Policy is administered by the Plan Administrator
- **Plan Year:** Calendar year

IX. CLAIMS AND APPEALS PROCEDURES

A terminated Eligible Executive does not need to apply for Policy benefits. However, if the terminated Eligible Executive or his or her authorized representative or beneficiary (a "Claimant") wishes to file a claim for benefits, the claim must be in writing and filed with the Committee (or the Board, with respect to Eligible Executives in salary grade level 100). References to the Committee in the remainder of this Section shall be deemed to refer to the Board in the case of Eligible Executives in salary grade level 100.

Adverse Benefit Determinations

If the Committee denies a claim in whole or in part, the Committee will provide notice to the Claimant, in writing, within 90 days after the claim is filed, unless the Committee determines that an extension of time for processing is required. If the Committee determines that the extension is required, it shall furnish written notice of the extension to the Claimant before the end of the initial 90-day period. The extension shall not exceed a period of 90 days from the end of the initial 90-day period and the extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit decision.

If the Committee denies the claim, it shall furnish a written notice of the denial that sets forth, in a manner calculated to be understood by the Claimant: (i) the specific reason or reasons for the denial; (ii) reference to the specific Severance Policy provisions on which the denial is based; (iii) a description of any additional material or information needed for the terminated employee to perfect the claim and an explanation as to why the information is needed; and (iv) an explanation of the Severance Policy's claims procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action in Federal district court under section 502(a) of ERISA following an adverse benefit determination on appeal.

Appeal of Adverse Benefit Determinations

If the initial claim is denied, the Claimant may appeal a claim denial to the Committee for a full and fair review. Specifically, the Claimant may: (i) request a review upon written notice to the Committee within 60 days after receipt of a notice of the denial of a claim for benefits; (ii) submit written comments, documents, records, and other information relating to the claim for benefits; and (iii) examine the Policy and obtain, upon request and without charge, copies of all documents, records, and other information relevant to the Claimant's claim for benefits.

The Committee's review shall take into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered by the Committee in the initial benefit determination. A determination on the review by the Committee will be made no later than 60 days after receipt of a request for review, unless the Committee determines that an extension of time for processing is required. If the Committee determines that the extension is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial 60-day period. The extension shall not exceed a period of 60 days from the end of the initial period and the extension notice shall indicate the special circumstances requiring an extension of time and the date on which the Committee expects to render the determination on review.

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If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the plan and do not receive them within thirty (30) days, you may file suit in federal court as described above. In such a case, the court may require the Committee to provide the materials and pay you up to one hundred ten dollars ($110) a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that the plan fiduciaries misuse the plan's money or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your plan, you should contact the Committee. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue NW, Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publication hotline of the Employee Benefits Security Administration.

POLICY DOCUMENT

Appendix – Summary of Policies & Practices Related to Change of Control Severance Policy

Policy	Related Practice
Executive Severance Policy	

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, Walter J. Lynch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2021

By: /s/ WALTER J. LYNCH

Walter J. Lynch
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2021

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Walter J. Lynch, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ WALTER J. LYNCH

Walter J. Lynch
President and Chief Executive Officer
(Principal Executive Officer)
August 2, 2021

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
August 2, 2021

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of April 27, 2021
Common Stock, par value $0.01 per share	**181,469,196**

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* * *

Throughout this Quarterly Report on Form 10-Q ("Form 10-Q"), unless the context otherwise requires, references to the "Company" and "American Water" mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the "parent company" mean American Water Works Company, Inc., without its subsidiaries.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company's future financial performance, liquidity and cash flows; rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and filings to address regulatory lag; growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity, the completion of the announced sale of the Company's New York subsidiary and the amount of proceeds anticipated to be received therefrom; the ability of the Company's California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River and to comply with certain regulatory orders and interpretations thereof with respect to such diversions; the amount and allocation of projected capital expenditures and related funding requirements; the Company's ability to repay or refinance debt; the ability to execute its current and long-term business, operational and capital expenditures strategies; its ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory investigations and proceedings and related potential fines, penalties and other sanctions; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the current pandemic health event resulting from the novel coronavirus ("COVID-19"); the ability to capitalize on existing or future utility privatization opportunities; trends in the industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company's actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors;
- changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, consumer and data privacy, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;

- the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain adequate and cost-effective supplies of equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials;
- the Company's ability to successfully meet growth projections for the Regulated Businesses and the Market-Based Businesses (each as defined in this Form 10-Q), either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
  - acquiring, closing and successfully integrating regulated operations and market-based businesses;
  - entering into contracts and other agreements with, or otherwise obtaining, new customers or partnerships in the Market-Based Businesses; and
  - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the current pandemic health event resulting from COVID-19;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in interest rates;
- ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the Tax Cuts and Jobs Act of 2017 (the "TCJA"), (iii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs, and (iv) the Company's ability to utilize its U.S. federal and state income tax net operating loss carryforwards;
- migration of customers into or out of the Company's service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company's goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract qualified employees;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	March 31, 2021	December 31, 2020
ASSETS		
Property, plant and equipment	$ 25,934	$ 25,614
Accumulated depreciation	(6,029)	(5,904)
Property, plant and equipment, net	19,905	19,710
Current assets:		
Cash and cash equivalents	69	547
Restricted funds	30	29
Accounts receivable, net of allowance for uncollectible accounts of $67 and $60, respectively	274	321
Unbilled revenues	219	206
Materials and supplies	52	47
Assets held for sale	654	629
Other	168	127
Total current assets	1,466	1,906
Regulatory and other long-term assets:		
Regulatory assets	1,127	1,127
Operating lease right-of-use assets	98	95
Goodwill	1,511	1,504
Postretirement benefit assets	167	173
Intangible assets	52	55
Other	199	196
Total regulatory and other long-term assets	3,154	3,150
Total assets	$ 24,525	$ 24,766

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	March 31, 2021	December 31, 2020
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 186,727,874 and 186,466,707 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,757	6,747
Retained earnings	235	102
Accumulated other comprehensive loss	(48)	(49)
Treasury stock, at cost (5,260,064 and 5,168,215 shares, respectively)	(363)	(348)
Total common shareholders' equity	6,583	6,454
Long-term debt	9,325	9,329
Redeemable preferred stock at redemption value	3	4
Total long-term debt	9,328	9,333
Total capitalization	15,911	15,787
Current liabilities:		
Short-term debt	1,115	1,282
Current portion of long-term debt	311	329
Accounts payable	134	189
Accrued liabilities	466	591
Accrued taxes	76	50
Accrued interest	98	88
Liabilities related to assets held for sale	80	137
Other	171	215
Total current liabilities	2,451	2,881
Regulatory and other long-term liabilities:		
Advances for construction	267	270
Deferred income taxes and investment tax credits	2,223	2,113
Regulatory liabilities	1,736	1,770
Operating lease liabilities	84	81
Accrued pension expense	368	388
Other	83	83
Total regulatory and other long-term liabilities	4,761	4,705
Contributions in aid of construction	1,402	1,393
Commitments and contingencies (See Note 12)		
Total capitalization and liabilities	$ 24,525	$ 24,766

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations (Unaudited)
(In millions, except per share data)

	For the Three Months Ended March 31,	
	2021	2020
Operating revenues	$ 888	$ 844
Operating expenses:		
Operation and maintenance	419	383
Depreciation and amortization	157	145
General taxes	83	77
Total operating expenses, net	659	605
Operating income	229	239
Other income (expense):		
Interest, net	(98)	(96)
Non-operating benefit costs, net	20	13
Other, net	4	3
Total other income (expense)	(74)	(80)
Income before income taxes	155	159
Provision for income taxes	22	35
Net income attributable to common shareholders	$ 133	$ 124
Basic earnings per share:		
Net income attributable to common shareholders	$ 0.73	$ 0.69
Diluted earnings per share: (a)		
Net income attributable to common shareholders	$ 0.73	$ 0.68
Weighted-average common shares outstanding:		
Basic	181	181
Diluted	182	181

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended March 31,	
	2021	2020
Net income attributable to common shareholders	$ 133	$ 124
Other comprehensive income (loss), net of tax:		
Defined benefit pension plan actuarial loss, net of tax of $0 and $0 for the three months ended March 31, 2021 and 2020, respectively	1	1
Unrealized loss on cash flow hedges, net of tax of $0 and $(2) for the three months ended March 31, 2021 and 2020, respectively	—	(6)
Net other comprehensive income (loss)	1	(5)
Comprehensive income attributable to common shareholders	$ 134	$ 119

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Three Months Ended March 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 133	$ 124
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	157	145
Deferred income taxes and amortization of investment tax credits	26	38
Provision for losses on accounts receivable	11	6
Pension and non-pension postretirement benefits	(10)	(1)
Other non-cash, net	(41)	(18)
Changes in assets and liabilities:		
Receivables and unbilled revenues	26	(4)
Pension and postretirement benefit contributions	(9)	(10)
Accounts payable and accrued liabilities	(57)	(91)
Other assets and liabilities, net	(57)	(9)
Net cash provided by operating activities	179	180
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(342)	(408)
Acquisitions, net of cash acquired	(3)	(21)
Proceeds from sale of assets	—	2
Removal costs from property, plant and equipment retirements, net	(18)	(23)
Net cash used in investing activities	(363)	(450)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	2	8
Repayments of long-term debt	(25)	(6)
(Repayments of) proceeds from term loan	(500)	500
Net proceeds from revolving credit facility borrowings	—	215
Net short-term borrowings with maturities less than three months	334	139
Proceeds from issuances of employee stock plans and direct stock purchase plan, net of taxes paid of $15 and $11 for the three months ended March 31, 2021 and 2020, respectively	(11)	(5)
Advances and contributions for construction, net of refunds of $6 and $8 for the three months ended March 31, 2021 and 2020, respectively	7	7
Dividends paid	(100)	(90)
Net cash (used in) provided by financing activities	(293)	768
Net (decrease) increase in cash, cash equivalents and restricted funds	(477)	498
Cash, cash equivalents and restricted funds at beginning of period	576	91
Cash, cash equivalents and restricted funds at end of period	$ 99	$ 589
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	$ 223	$ 256

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock					Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	
Balance as of December 31, 2020	186.5	$ 2	$ 6,747	$ 102	$ (49)	(5.2)	$ (348)	$ 6,454
Net income attributable to common shareholders	—	—	—	133	—	—	—	133
Common stock issuances (a)	0.2	—	10	—	—	(0.1)	(15)	(5)
Net other comprehensive loss	—	—	—	—	1	—	—	1
Balance as of March 31, 2021	186.7	$ 2	$ 6,757	$ 235	$ (48)	(5.3)	$ (363)	$ 6,583

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

	Common Stock			Retained Earnings (Accumulated Deficit)		Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital		Accumulated Other Comprehensive Loss	Shares	At Cost	
Balance as of December 31, 2019	185.9	$ 2	$ 6,700	$ (207)	$ (36)	(5.1)	$ (338)	$ 6,121
Net income attributable to common shareholders	—	—	—	124	—	—	—	124
Common stock issuances (a)	0.3	—	13	—	—	(0.1)	(10)	3
Net other comprehensive loss	—	—	—	—	(5)	—	—	(5)
Balance as of March 31, 2020	186.2	$ 2	$ 6,713	$ (83)	$ (41)	(5.2)	$ (348)	$ 6,243

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the "Company" or "American Water"), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q ("Form 10-Q"). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of March 31, 2021, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2020 ("Form 10-K"), which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company's operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2021:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Facilitation of the Effects of Reference Rate Reform on Financial Reporting	Provided optional guidance for a limited time to ease the potential accounting burden associated with the transition from London Interbank Offered Rate ("LIBOR"). The guidance contains optional expedients and exceptions for contract modifications, hedging relationships, and other transactions that reference LIBOR or other reference rates expected to be discontinued. The expedients elected must be applied for all eligible contracts or transactions, with the exception of hedging relationships, which can be applied on an individual basis.	March 12, 2020 through December 31, 2022	Prospective for contract modifications and hedging relationships; applied as of January 1, 2020.	The standard did not have a material impact on the Consolidated Financial Statements.
Simplifying the Accounting for Income Taxes	The guidance removes exceptions related to the incremental approach for intraperiod tax allocation, the requirement to recognize a deferred tax liability for changes in ownership of a foreign subsidiary or equity method investment, and the general methodology for calculating income taxes in an interim period when the year-to-date loss exceeds the anticipated loss. The guidance adds requirements to reflect changes to tax laws or rates in the annual effective tax rate computation in the interim period in which the changes were enacted, to recognize franchise or other similar taxes that are partially based on income as an income-based tax and any incremental amounts as non-income-based tax, and to evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction.	January 1, 2021	Modified retrospective for amendments related to changes in ownership of a foreign subsidiary or equity method investment; Modified retrospective or retrospective for amendments related to taxes partially based on income; Prospective for all other amendments.	The standard did not have a material impact on the Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of March 31, 2021:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022; early adoption permitted not before fiscal years beginning after December 15, 2020	Either modified retrospective or fully retrospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Cash, Cash Equivalents and Restricted Funds

Presented in the table below is a reconciliation of the cash and cash equivalents and restricted funds amounts as presented on the Consolidated Balance Sheets to the sum of such amounts presented on the Consolidated Statements of Cash Flows for the periods ended March 31:

	2021	2020
Cash and cash equivalents (a)	$ 69	$ 556
Restricted funds	30	33
Cash, cash equivalents and restricted funds as presented on the Consolidated Statements of Cash Flows	$ 99	$ 589

(a) The majority of the change in the cash and cash equivalents balance is due to the repayment, at maturity, of the $500 million in outstanding principal under the term loan facility. See Note 9—Short-Term Debt for additional information.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. An increase in the allowance for uncollectible accounts for the period ending March 31, 2021 reflects the impacts from the current novel coronavirus ("COVID-19") pandemic, including an increase in uncollectible accounts expense and a reduction in amounts written off due to shutoff moratoria in place across the Company's subsidiaries.

Presented in the table below are the changes in the allowance for uncollectible accounts for the three months ended March 31:

	2021	2020
Balance as of January 1	$ (60)	$ (41)
Amounts charged to expense	(11)	(6)
Amounts written off	—	7
Less: Allowance for uncollectible accounts included in assets held for sale (a)	4	2
Balance as of March 31	$ (67)	$ (40)

(a) This portion of the allowance for uncollectible accounts is related to the pending transactions contemplated by the Stock Purchase Agreement among the Company, the Company's New York subsidiary and an affiliate of Liberty Utilities Co., and is included in assets held for sale on the Consolidated Balance Sheets. See Note 6—Acquisitions and Divestitures for additional information.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Impact of Novel Coronavirus (COVID-19) Pandemic

American Water continues to monitor the COVID-19 pandemic and has experienced financial impacts resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental operation and maintenance ("O&M") expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as "financial impacts."

As of May 3, 2021, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 14 jurisdictions, with proceedings in three jurisdictions pending. One jurisdiction, Kentucky, issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IA, IN, MD, NJ, PA (a), VA, WV
Orders issued with cost recovery	California's Catastrophic Event Memorandum Account allows the Company's California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Illinois has authorized cost recovery of COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IL, MO
Proceedings pending	Pending proceedings considering deferred accounting authorization for the future recovery of COVID-19 financial impacts.	NY, TN

(a) The Pennsylvania Public Utility Commission (the "PaPUC") has granted deferral authority on incremental expenses above those embedded in rates resulting from COVID-19. The Company's Pennsylvania subsidiary has filed for confirmation to defer as a regulatory asset all identified COVID-19 financial impacts, with the proceeding currently pending before the PaPUC.

Consistent with these regulatory orders, the Company has recorded $43 million in regulatory assets and $5 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of March 31, 2021.

As of May 3, 2021, five states continue moratoria on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in nine states.

Note 4: Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of excess accumulated deferred income tax ("EADIT") that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the current period:

(In millions)	During the Three Months Ended March 31, 2021	During the Three Months Ended March 31, 2020
General rate cases by state:		
Pennsylvania (a)	$ 70	$ —
California (b)	—	5
Total general rate cases	$ 70	$ 5
Infrastructure surcharges by state:		
Indiana (effective March 17, 2021)	$ 8	$ —
Pennsylvania (effective January 1, 2021 and January 1, 2020)	8	10
Illinois (effective January 1, 2021 and January 1, 2020)	7	7
West Virginia (effective January 1, 2021 and January 1, 2020)	5	3
Tennessee (effective January 1, 2021)	3	—
New Jersey (effective January 1, 2020)	—	10
Total infrastructure surcharges	$ 31	$ 30

(a) The Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, excluding a reduction in revenues for tax savings passed back to customers as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"), over two steps. The EADIT reduction in revenues is $19 million. The overall increase, net of TCJA, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

(b) The Company's California subsidiary received approval for the third year (2020) step increase associated with its most recent general rate case authorization, effective January 1, 2020.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of $22 million, excluding a reduction in revenues for tax savings passed back to customers as a result of the TCJA. The EADIT reduction in revenues is $25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of $72 million is being returned to customers using the ARAM, and the unprotected EADIT balance of $74 million is being returned to customers over 10 years. The $25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of $13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which seeks approval of acquisition adjustments in rates of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in April 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. The Company's New Jersey subsidiary filed exceptions to the initial decision and recommendations by the ALJ, which were responded to by the New Jersey Division of Rate Counsel. The Company is now awaiting a decision by the NJBPU.

Due in part to the COVID-19 pandemic, the New York State Public Service Commission approved, through a series of orders, the Company's New York subsidiary's request to postpone the previously approved step increase, originally scheduled to go into effect April 1, 2020 until May 1, 2021. The orders provided a make whole provision to recover the delayed revenues with no earnings impact. These delays impact rates for all metered and fire customers, which the Company is authorized to recover in a make-whole surcharge, which began May 1, 2021.

Pending General Rate Case Filings

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting $32 million in annualized incremental revenues excluding proposed reductions in revenues for tax savings to be passed back to customers as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is $1 million and the exclusion for infrastructure surcharges is $10 million.

On August 28, 2020, the Company's Iowa subsidiary filed a general rate case requesting $3 million in annualized incremental revenues. Office of Consumer Advocate ("OCA") and intervenor direct testimony was filed on December 17, 2020 and cross-reply testimony was filed on December 31, 2020. The Company's Iowa subsidiary reply testimony was filed on January 14, 2021, and OCA rebuttal testimony was filed on February 8, 2021. Evidentiary hearings were held on March 3 and March 4, 2021. An order is anticipated between May 4, 2021 and June 30, 2021 with new rates effective in July 2021.

On July 1, 2019, the Company's California subsidiary filed a general rate case requesting $26 million in annualized incremental revenues for 2021, and increases of $10 million and $11 million in the escalation year of 2022 and the attrition year of 2023, respectively. On October 11, 2019, the Company filed its 100-day update for the same proceeding and updated the request to $27 million in annualized incremental revenues for 2021, and increases of $10 million in both the escalation year of 2022 and the attrition year of 2023, respectively. On September 10, 2020, the California Public Utilities Commission (the "CPUC") approved the Company's California subsidiary's motion for interim rates, establishing a memorandum account to track the difference between interim and final rates adopted by the CPUC in this proceeding, which were effective on January 1, 2021. Following settlement discussions among all parties to the proceeding, on January 22, 2021 and January 25, 2021, the Company's California subsidiary filed with the CPUC a comprehensive settlement entered into among the Company's California subsidiary, the Public Advocates Office, and other intervenors. These settlement agreements resolved all matters in dispute among the parties to the settlements. These settlements, as well as resolution of issues raised by non-settling parties, are now before the CPUC for approval.

On January 22, 2020, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2021. On March 12, 2020, the CPUC granted the request for a one-year extension of the cost of capital filing to May 1, 2021, to set its authorized cost of capital beginning January 1, 2022. On January 5, 2021, the Company's California subsidiary submitted a request to further delay by one year its cost of capital filing and maintain the authorized cost of capital through 2022. On February 22, 2021, the CPUC denied the request to further delay the cost of capital filing. The Company's California subsidiary submitted its cost of capital application on May 3, 2021. Once approved by the CPUC, the new authorized cost of capital will be effective January 1, 2022.

Note 5: Revenue Recognition

Disaggregated Revenues

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company also operates market-based businesses that provide water, wastewater and other services to residential and smaller commercial customers, the U.S. government on military installations, as well as municipalities and utility customers, collectively presented as the "Market-Based Businesses."

Presented in the table below are operating revenues disaggregated for the three months ended March 31, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 430	$ —	$ 430
Commercial	144	—	144
Fire service	37	—	37
Industrial	32	—	32
Public and other	44	—	44
Total water services	687	—	687
Wastewater services:			
Residential	36	—	36
Commercial	9	—	9
Industrial	1	—	1
Public and other	4	—	4
Total wastewater services	50	—	50
Miscellaneous utility charges	8	—	8
Alternative revenue programs	—	9	9
Lease contract revenue	—	1	1
Total Regulated Businesses	745	10	755
Market-Based Businesses	137	—	137
Other	(4)	—	(4)
Total operating revenues	$ 878	$ 10	$ 888

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers*, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's Market-Based Businesses, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts and home warranty protection program contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $50 million and $39 million are included in unbilled revenues on the Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020, respectively. Contract assets of $17 million and $13 million are included in unbilled revenues on the Consolidated Balance Sheets as of March 31, 2020 and December 31, 2019, respectively. There were $19 million of contract assets added during the three months ended March 31, 2021, and $8 million of contract assets were transferred to accounts receivable during the same period. There were $11 million of contract assets added during the three months ended March 31, 2020, and $7 million of contract assets were transferred to accounts receivable during the same period.

Contract liabilities of $44 million and $35 million are included in other current liabilities on the Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020, respectively. Contract liabilities of $34 million and $27 million are included in other current liabilities on the Consolidated Balance Sheets as of March 31, 2020 and December 31, 2019, respectively. There were $57 million of contract liabilities added during the three months ended March 31, 2021, and $48 million of contract liabilities were recognized as revenue during the same period. There were $36 million of contract liabilities added during the three months ended March 31, 2020, and $29 million of contract liabilities were recognized as revenue during the same period.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of March 31, 2021, the Company's O&M and capital improvement contracts in the Market-Based Businesses have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of $6.3 billion as of March 31, 2021, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2021 and 2038 and have RPOs of $547 million as of March 31, 2021, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 6: Acquisitions and Divestitures

During the three months ended March 31, 2021, the Company closed on the acquisition of two regulated water systems for a total aggregate purchase price of $3 million. Assets acquired from these acquisitions, principally utility plant, totaled $3 million.

Subsequent to March 31, 2021, the Company closed on three regulated water and wastewater systems for a total aggregate purchase price of $1 million.

On April 6, 2021, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for $235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system currently directly and indirectly serves more than 45,000 customers through bulk contracts. In connection with the execution of the acquisition agreement, the Company's Pennsylvania subsidiary paid a $20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition by the beginning of 2022, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2021, pending regulatory approval.

Assets Held for Sale

On November 20, 2019, the Company and the Company's New York subsidiary, entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with Liberty Utilities Co., which it subsequently assigned to its indirect, wholly owned subsidiary Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), pursuant to which Liberty will purchase all of the capital stock of the New York subsidiary (the "Stock Purchase") for an aggregate purchase price of approximately $608 million in cash, subject to adjustment as provided in the Stock Purchase Agreement. The Company's regulated New York operations have approximately 125,000 customers in the State of New York. Algonquin Power & Utilities Corp., Liberty's ultimate parent company, executed and delivered an absolute and unconditional guaranty of the performance of all of the obligations of Liberty under the Stock Purchase Agreement. The Stock Purchase is subject to various conditions, including obtaining approvals and satisfying or waiving other closing conditions. The Stock Purchase Agreement has an initial termination date of June 30, 2021. Either party may extend the initial termination date beyond June 30, 2021, and the Company intends to extend such date, if necessary, provided all of the conditions to closing have been or are capable of being met, other than obtaining regulatory approvals. If not otherwise extended, the ultimate termination date is December 31, 2021. Liberty may also terminate the Stock Purchase Agreement if any governmental authority initiates a condemnation or eminent domain proceeding against a majority of the consolidated properties of the Company's New York subsidiary, taken as a whole. The assets and related liabilities of the Company's New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of March 31, 2021.

Presented in the table below are the components of assets held for sale and liabilities related to assets held for sale of the New York subsidiary as of March 31, 2021:

	March 31, 2021
Property, plant and equipment	$ 523
Current assets	13
Regulatory assets	77
Goodwill	31
Other assets	10
Assets held for sale	$ 654
Current liabilities	14
Regulatory liabilities	48
Other liabilities	18
Liabilities related to assets held for sale	$ 80

Note 7: Shareholders' Equity

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the three months ended March 31, 2021 and 2020, respectively:

	Defined Benefit Pension Plans				
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Loss on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance as of December 31, 2020	$ (106)	$ 1	$ 63	$ (7)	$ (49)
Other comprehensive loss before reclassifications	—	—	—	—	—
Amounts reclassified from accumulated other comprehensive loss	—	—	1	—	1
Net other comprehensive income (loss)	—	—	1	—	1
Balance as of March 31, 2021	$ (106)	$ 1	$ 64	$ (7)	$ (48)
Balance as of December 31, 2019	$ (94)	$ 1	$ 60	$ (3)	$ (36)
Other comprehensive loss before reclassifications	—	—	—	(6)	(6)
Amounts reclassified from accumulated other comprehensive loss	—	—	1	—	1
Net other comprehensive income (loss)	—	—	1	(6)	(5)
Balance as of March 31, 2020	$ (94)	$ 1	$ 61	$ (9)	$ (41)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends

On March 2, 2021, the Company paid a quarterly cash dividend of $0.55 per share to shareholders of record as of February 8, 2021.

On April 28, 2021, the Company's Board of Directors declared a quarterly cash dividend payment of $0.6025 per share, payable on June 1, 2021 to shareholders of record as of May 11, 2021. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 8: Long-Term Debt

During the three months ended March 31, 2021, American Water Capital Corp. ("AWCC") and the Company's regulated subsidiaries issued in the aggregate $2 million of private activity bonds and government funded debt in multiple transactions with annual interest rates ranging from 0.00% to 5.00%, with a weighted average interest rate of 0.17%, maturing in 2021 through 2047. During the three months ended March 31, 2021, AWCC and the Company's regulated subsidiaries retired or paid at maturity an aggregate of $25 million of various long-term debt issues with annual interest rates ranging from 0.00% to 12.25%, with a weighted average interest rate of 8.35%, maturing in 2021 through 2048.

Note 9: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. The revolving credit facility provides $2.25 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is March 21, 2025. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit.

On March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). As of December 31, 2020, $500 million of principal was outstanding under the Term Loan Facility. The Term Loan Facility commitments terminated at maturity on March 19, 2021 and the Term Loan Facility was repaid in full. Borrowings under the Term Loan Facility bore interest at a variable annual rate based on LIBOR, plus a margin of 0.80%.

Short-term debt consists of commercial paper and credit facility borrowings totaling $1.12 billion and $786 million as of March 31, 2021 and December 31, 2020, respectively. The weighted-average interest rate on AWCC's outstanding short-term borrowings, including $500 million of outstanding principal on the Term Loan Facility as of December 31, 2020, was approximately 0.17% and 0.53% at March 31, 2021 and December 31, 2020, respectively. As of March 31, 2021 and December 31, 2020, there were no commercial paper or credit facility borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of March 31, 2021		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(1,115)	(76)	(1,191)
Remaining availability as of March 31, 2021	$ 985	$ 74	$ 1,059

(a) Total remaining availability of $1.06 billion as of March 31, 2021 may be accessed through revolver draws.

(In millions)	As of December 31, 2020		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	$ 1,314	$ 74	$ 1,388

(a) Total remaining availability of $1.39 billion as of December 31, 2020 may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of March 31, 2021 and December 31, 2020, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of March 31, 2021	$ 69	$ 1,059	$ 1,128
Available liquidity as of December 31, 2020	$ 547	$ 1,388	$ 1,935

Note 10: Income Taxes

The Company's effective income tax rate was 14.2% and 22.0% for the three months ended March 31, 2021 and 2020, respectively. The decrease in the Company's effective income tax rate for the three months ended March 31, 2021 was primarily due to an increase in the amortization of EADIT due to regulatory orders resulting from the TCJA, and an increase in deductions for stock based compensation benefits.

Note 11: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit cost (credit):

	For the Three Months Ended March 31,	
	2021	2020
Components of net periodic pension benefit cost:		
Service cost	$ 9	$ 8
Interest cost	17	19
Expected return on plan assets	(32)	(28)
Amortization of prior service credit	(1)	(1)
Amortization of actuarial loss	7	8
Net periodic pension benefit cost	$ —	$ 6
Components of net periodic other postretirement benefit credit:		
Service cost	$ 1	$ 1
Interest cost	2	3
Expected return on plan assets	(5)	(4)
Amortization of prior service credit	(8)	(8)
Amortization of actuarial loss	—	1
Net periodic other postretirement benefit credit	$ (10)	$ (7)

The Company contributed $9 million and $10 million for the funding of its defined benefit pension plans for the three months ended March 31, 2021 and 2020, respectively. The Company made no contributions for the funding of its other postretirement benefit plans for each of the three months ended March 31, 2021 and 2020. The Company expects to make pension contributions to the plan trusts of $28 million during the remainder of 2021.

Note 12: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of March 31, 2021, the Company has accrued approximately $5 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $4 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 12—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, the Company's West Virginia subsidiary ("WVAWC") and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the $126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is $19 million. As of March 31, 2021, $0.5 million of the aggregate Settlement amount of $126 million has been reflected in accrued liabilities, and $0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets. The amount reflected in accrued liabilities as of March 31, 2021 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund's appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys' fees and claims administration costs. The Company funded WVAWC's contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

On February 4, 2020, the *Jeffr*ies plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. On July 14, 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. On August 31, 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court order certifying the issues class. At the request of the parties, on September 10, 2020, the Circuit Court ordered the stay of all matters in the class proceeding pending consideration of this petition. On December 3, 2020, the Supreme Court of Appeals issued an order to show cause stating that there are sufficient grounds for oral argument to consider prohibiting the class certification order. On January 28, 2021, the Supreme Court of Appeals granted a motion by the *Jeffries* plaintiffs to remand the case back to the Circuit Court for further consideration in light of a recent Supreme Court of Appeals decision issued in another case relating to the class certification issues raised.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company," and together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest.

On November 22, 2019, the Tennessee-American Water Defendants filed a motion to dismiss the complaint for failure to state a claim upon which relief may be granted, and, with respect to the Company, for lack of personal jurisdiction. Oral argument on the motion to dismiss took place on September 9, 2020. On September 18, 2020, the court (i) granted the motion to dismiss the Tennessee Plaintiffs' negligence claim against all Tennessee-American Water Defendants, (ii) denied the motion to dismiss the breach of contract claim against TAWC, (iii) held in abeyance the motion to dismiss the breach of contract claims against the Company and Service Company pending a further hearing and (iv) held in abeyance the Company's motion to dismiss the complaint for lack of personal jurisdiction. On September 24, 2020, at the request of the Tennessee Plaintiffs, the court dismissed without prejudice all claims in the *Bruce* complaint against the Company and Service Company. The impact of the September 2020 court orders was that all of the Tennessee Plaintiffs' claims in this complaint were dismissed, other than the breach of contract claims against TAWC. On October 16, 2020, TAWC answered the complaint, and the parties are commencing with discovery.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order") approving a deadline of December 31, 2021 for Cal Am's compliance with these prior orders (the "2021 Deadline").

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the 2009 Order and the 2016 Order.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the California Public Utilities Commission (the "CPUC") and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to the incurred $50 million in associated costs plus an allowance for funds used during construction ("AFUDC"), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that (i) the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity, (ii) the issuance of the final decision should not be delayed, and (iii) an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed in the first general rate case filed by Cal Am after it becomes operational. Cal Am has incurred $161 million in aggregate costs as of March 31, 2021 related to the Water Supply Project, which includes $38 million in AFUDC. While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the "Coastal Commission"), as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

On August 25, 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. On September 16, 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application on November 6, 2020. On December 3, 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. The original jurisdiction application remains pending.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, based on the foregoing, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Due to the delay in the approval schedule, Cal Am currently does not believe that it will be able to fully comply with the diversion reduction requirements and other remaining requirements under the 2009 Order and the 2016 Order, including the 2021 Deadline. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order, or the 2021 Deadline, may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 13: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted EPS calculations:

	For the Three Months Ended March 31,	
	2021	2020
Numerator:		
Net income attributable to common shareholders	$ 133	$ 124
Denominator:		
Weighted-average common shares outstanding—Basic	181	181
Effect of dilutive common stock equivalents	1	—
Weighted-average common shares outstanding—Diluted	182	181

The effect of dilutive common stock equivalents is related to outstanding stock options, restricted stock units ("RSUs") and performance stock units ("PSUs") granted under the Company's 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company's 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three months ended March 31, 2021 and 2020, because their effect would have been anti-dilutive under the treasury stock method.

Note 14: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of March 31, 2021				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 4	$ —	$ —	$ 5	$ 5
Long-term debt (excluding finance lease obligations)	9,634	8,821	405	1,665	10,891

	As of December 31, 2020				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 5	$ —	$ —	$ 7	$ 7
Long-term debt (excluding finance lease obligations)	9,656	9,639	415	1,753	11,807

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of March 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 30	$ —	$ —	$ 30
Rabbi trust investments	21	—	—	21
Deposits	6	—	—	6
Other investments	16	—	—	16
Total assets	73	—	—	73
Liabilities:				
Deferred compensation obligations	25	—	—	25
Total liabilities	25	—	—	25
Total assets	$ 48	$ —	$ —	$ 48

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 29	$ —	$ —	$ 29
Rabbi trust investments	19	—	—	19
Deposits	4	—	—	4
Other investments	11	—	—	11
Total assets	63	—	—	63
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	$ 39	$ —	$ —	$ 39

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no significant mark-to-market derivatives outstanding as of March 31, 2021.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Note 15: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's right-of-use ("ROU") assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 39 years, six years, and five years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $146 million and $147 million as of March 31, 2021 and December 31, 2020, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $4 million in 2021 through 2025, and $52 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were $3 million and $4 million for the three months ended March 31, 2021 and March 31, 2020, respectively.

For the three months ended March 31, 2021, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, was $3 million. For the three months ended March 31, 2021, ROU assets obtained in exchange for new operating lease liabilities was $6 million.

As of March 31, 2021, the weighted-average remaining lease term of the finance lease and operating leases were five years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at March 31, 2021 are $10 million in 2021, $12 million in 2022, $9 million in 2023, $8 million in 2024, $7 million in 2025 and $96 million thereafter. At March 31, 2021 imputed interest was $47 million.

Note 16: Segment Information

The Company's operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses. "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended March 31, 2021			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 755	$ 137	$ (4)	$ 888
Depreciation and amortization	147	5	5	157
Total operating expenses, net	543	114	2	659
Interest, net	(71)	(1)	(26)	(98)
Income before income taxes	163	22	(30)	155
Provision for income taxes	28	6	(12)	22
Net income attributable to common shareholders	135	17	(19)	133
Total assets	22,032	892	1,601	24,525
Cash paid for capital expenditures	338	2	2	342

	As of or for the Three Months Ended March 31, 2020			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 720	$ 128	$ (4)	$ 844
Depreciation and amortization	135	6	4	145
Total operating expenses, net	503	99	3	605
Interest, net	(72)	1	(25)	(96)
Income before income taxes	162	30	(33)	159
Provision for income taxes	40	8	(13)	35
Net income attributable to common shareholders	123	22	(21)	124
Total assets	20,575	1,037	1,934	23,546
Cash paid for capital expenditures	404	3	1	408

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company's Form 10-K for the year ended December 31, 2020. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements" and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The committee is actively involved in the review and discussion of the Company's SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). The Company also operates market-based businesses that provide water, wastewater and other services to residential and smaller commercial customers, the U.S. government on military installations, as well as municipalities and utility customers, collectively presented as the "Market-Based Businesses." These Market-Based Businesses are not subject to economic regulation by state PUCs. See Part I, Item 1—Business in the Company's Form 10-K for additional information.

Novel Coronavirus (COVID-19) Pandemic Update

American Water continues to monitor the COVID-19 pandemic and has taken steps to mitigate adverse impacts to the Company. The Company has three main areas of focus as part of its response to COVID-19: the care and safety of its employees; the safety of its customers and the communities it serves; and the execution of its business continuity plan. American Water continues to work with its vendors to prevent disruptions in its supply chain, and, at this time, has not experienced, and does not anticipate, any material negative impacts. The Company also continues to monitor the impacts of the COVID-19 pandemic on its access to the capital markets, and to the extent such access is adversely affected, American Water may need to consider alternative sources of funding for its operations and for working capital, any of which could increase its cost of capital.

The Company has experienced financial impacts resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental operation and maintenance ("O&M") expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as "financial impacts." See Note 3—Impact of Novel Coronavirus (COVID-19) Pandemic in the Notes to Consolidated Financial Statements for additional information. The extent to which COVID-19 may further impact American Water, including without limitation, its liquidity, financial condition, and results of operations, will depend on future developments, which presently cannot be predicted.

As of May 3, 2021, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 14 jurisdictions, with proceedings in three jurisdictions pending. One jurisdiction, Kentucky, issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IA, IN, MD, NJ, PA (a), VA, WV
Orders issued with cost recovery	California's Catastrophic Event Memorandum Account allows the Company's California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Illinois has authorized cost recovery of COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IL, MO
Proceedings pending	Pending proceedings considering deferred accounting authorization for the future recovery of COVID-19 financial impacts.	NY, TN

(a) The Pennsylvania Public Utility Commission (the "PaPUC") has granted deferral authority on incremental expenses above those embedded in rates resulting from COVID-19. The Company's Pennsylvania subsidiary has filed for confirmation to defer as a regulatory asset all identified COVID-19 financial impacts, with the proceeding currently pending before the PaPUC.

Consistent with these regulatory orders, the Company has recorded $43 million in regulatory assets and $5 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of March 31, 2021.

As of May 3, 2021, five states continue moratoria on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in nine states. The Company continues to monitor the evolving COVID-19 pandemic and will continue to comply with the current ordered moratoria and any future moratoria implemented.

Financial Results

For the three months ended March 31, 2021, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), were $0.73, an increase of $0.05 per diluted share, as compared to the prior year. This increase was primarily driven by continued growth in the Regulated Businesses from infrastructure investment, acquisitions and organic growth, and were partially offset by additional costs associated with an increase in claims in 2021 in Homeowner Services Group ("HOS") from extreme cold weather across the country during the first quarter of 2021, primarily in Texas and Illinois, and a continuation of more stay-at-home activities as experienced throughout most of 2020 due to the COVID-19 pandemic.

Growth—through capital investment in infrastructure and regulated acquisitions, as well as strategic growth opportunities in the Market-Based Businesses

The Company expects to continue to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. The Company also expects to continue to grow the Market-Based Businesses, which leverages its core water and wastewater competencies. The Company plans to invest approximately $1.9 billion across its footprint in 2021. During the first three months of 2021, the Company invested $342 million, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- $336 million capital investment in the Regulated Businesses, the majority for infrastructure improvements and replacements; and
- $3 million to fund acquisitions in the Regulated Businesses, which added approximately 600 water and wastewater customers through the three months ended March 31, 2021, in addition to approximately 3,600 customers added through organic growth through the three months ended March 31, 2021.

On April 6, 2021, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for $235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system currently directly and indirectly serves more than 45,000 customers through bulk contracts. In connection with the execution of the acquisition agreement, the Company's Pennsylvania subsidiary paid a $20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition by the beginning of 2022, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2021, pending regulatory approval.

During April 2021, the Company closed on the acquisition of three regulated water and wastewater systems adding approximately 300 customers, for a total aggregate purchase price of $1 million. As of May 3, 2021, the Company has entered into agreements for pending acquisitions in the Regulated Businesses to add approximately 86,000 additional customers.

Sale of New York American Water Company, Inc.

On November 20, 2019, the Company and the Company's New York subsidiary entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with Liberty Utilities Co, which it subsequently assigned to its indirect, wholly owned subsidiary Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), pursuant to which Liberty will purchase all of the capital stock of the New York subsidiary (the "Stock Purchase") for an aggregate purchase price of approximately $608 million in cash, subject to adjustment as provided in the Stock Purchase Agreement. The Company's regulated New York operations have approximately 125,000 customers in the State of New York. Algonquin Power & Utilities Corp., Liberty's ultimate parent company, executed and delivered an absolute and unconditional guaranty of the performance of all of the obligations of Liberty under the Stock Purchase Agreement. The Stock Purchase is subject to various conditions, including obtaining approvals and satisfying or waiving other closing conditions. The Stock Purchase Agreement has an initial termination date of June 30, 2021. Either party may extend the initial termination date beyond June 30, 2021, and the Company intends to extend such date, if necessary, provided all of the conditions to closing have been or are capable of being met, other than obtaining regulatory approvals. If not otherwise extended, the ultimate termination date is December 31, 2021. Liberty may also terminate the Stock Purchase Agreement if any governmental authority initiates a condemnation or eminent domain proceeding against a majority of the consolidated properties of the Company's New York subsidiary, taken as a whole.

In 2020, the Governor of New York proposed legislation that, among other things, required the New York State Department of Public Service ("NYSDPS") to study whether private water suppliers should be placed under municipal control. On February 3, 2021, the Governor issued a press release announcing that he directed the NYSDPS Special Counsel to commence and lead a municipalization feasibility study (the "Study"). The Study was released on March 29, 2021 finding that municipalization was feasible and in the public interest. The Study focused primarily on the imminent need for tax relief for the Company's New York subsidiary's customers and included recommendations to eliminate the Special Franchise Tax and create a new public authority to potentially acquire all or a portion of the system. Despite the Study's findings, the Governor's budget was released without addressing the Special Franchise Tax and without the creation of an authority. The Company's New York subsidiary continues to work constructively with the NYSDPS, including through ongoing settlement discussions among all parties to the proceeding held on April 16, 2021, and continues to take all actions necessary to facilitate the completion of the Stock Purchase. Subject to satisfying or waiving the various conditions to closing, and assuming no prior termination of the Stock Purchase Agreement by Liberty as described above, the Company remains confident that the Stock Purchase will be completed.

The assets and related liabilities of the Company's New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of March 31, 2021. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Operational Excellence

The Company's adjusted regulated O&M efficiency ratio, which is used as a measure of the operating performance of the Regulated Businesses, was 34.1% for the twelve months ended March 31, 2021, as compared to 34.5% for the twelve months ended March 31, 2020. The improvement in this ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure, and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude the reductions for the amortization of excess accumulated deferred income taxes. Also excluded from operation and maintenance expenses is the allocable portion of non-operation and maintenance support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

	For the Twelve Months Ended March 31,	
(Dollars in millions)	**2021**	**2020**
Total operation and maintenance expenses	$ 1,658	$ 1,562
Less:		
Operation and maintenance expenses—Market-Based Businesses	404	386
Operation and maintenance expenses—Other	(26)	(27)
Total operation and maintenance expenses—Regulated Businesses	1,280	1,203
Less:		
Regulated purchased water expenses	152	139
Allocation of non-operation and maintenance expenses	43	31
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,085	$ 1,033
Total operating revenues	$ 3,822	$ 3,640
Less:		
Operating revenues—Market-Based Businesses	549	533
Operating revenues—Other	(17)	(22)
Total operating revenues—Regulated Businesses	3,290	3,129
Less:		
Regulated purchased water revenues (a)	152	139
Revenue reductions for the amortization of excess accumulated deferred income taxes	(46)	—
Adjusted operating revenues—Regulated Businesses (ii)	$ 3,184	$ 2,990
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	34.1 %	34.5 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of excess accumulated deferred income tax ("EADIT") that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the current period:

(In millions)	During the Three Months Ended March 31, 2021	During the Three Months Ended March 31, 2020
General rate cases by state:		
Pennsylvania (a)	$ 70	$ —
California (b)	—	5
Total general rate cases	$ 70	$ 5
Infrastructure surcharges by state:		
Indiana (effective March 17, 2021)	$ 8	$ —
Pennsylvania (effective January 1, 2021 and January 1, 2020)	8	10
Illinois (effective January 1, 2021 and January 1, 2020)	7	7
West Virginia (effective January 1, 2021 and January 1, 2020)	5	3
Tennessee (effective January 1, 2021)	3	—
New Jersey (effective January 1, 2020)	—	10
Total infrastructure surcharges	$ 31	$ 30

(a) The Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, excluding a reduction in revenues for tax savings passed back to customers as a result of the TCJA, over two steps. The EADIT reduction in revenues is $19 million. The overall increase, net of TCJA, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

(b) The Company's California subsidiary received approval for the third year (2020) step increase associated with its most recent general rate case authorization, effective January 1, 2020.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of $22 million, excluding a reduction in revenues for tax savings passed back to customers as a result of the TCJA. The EADIT reduction in revenues is $25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of $72 million is being returned to customers using the ARAM, and the unprotected EADIT balance of $74 million is being returned to customers over 10 years. The $25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of $13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which seeks approval of acquisition adjustments in rates of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in April 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. The Company's New Jersey subsidiary filed exceptions to the initial decision and recommendations by the ALJ, which were responded to by the New Jersey Division of Rate Counsel. The Company is now awaiting a decision by the NJBPU.

Due in part to the COVID-19 pandemic, the New York State Public Service Commission approved, through a series of orders, the Company's New York subsidiary's request to postpone the previously approved step increase, originally scheduled to go into effect April 1, 2020 until May 1, 2021. The orders provided a make whole provision to recover the delayed revenues with no earnings impact. These delays impact rates for all metered and fire customers, which the Company is authorized to recover in a make-whole surcharge, which began May 1, 2021.

Pending General Rate Case Filings

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting $32 million in annualized incremental revenues excluding proposed reductions in revenues for tax savings to be passed back to customers as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is $1 million and the exclusion for infrastructure surcharges is $10 million.

On August 28, 2020, the Company's Iowa subsidiary filed a general rate case requesting $3 million in annualized incremental revenues. Office of Consumer Advocate ("OCA") and intervenor direct testimony was filed on December 17, 2020 and cross-reply testimony was filed on December 31, 2020. The Company's Iowa subsidiary reply testimony was filed on January 14, 2021, and OCA rebuttal testimony was filed on February 8, 2021. Evidentiary hearings were held on March 3 and March 4, 2021. An order is anticipated between May 4, 2021 and June 30, 2021 with new rates effective in July 2021.

On July 1, 2019, the Company's California subsidiary filed a general rate case requesting $26 million in annualized incremental revenues for 2021, and increases of $10 million and $11 million in the escalation year of 2022 and the attrition year of 2023, respectively. On October 11, 2019, the Company filed its 100-day update for the same proceeding and updated the request to $27 million in annualized incremental revenues for 2021, and increases of $10 million in both the escalation year of 2022 and the attrition year of 2023, respectively. On September 10, 2020, the California Public Utilities Commission (the "CPUC") approved the Company's California subsidiary's motion for interim rates, establishing a memorandum account to track the difference between interim and final rates adopted by the CPUC in this proceeding, which were effective on January 1, 2021. Following settlement discussions among all parties to the proceeding, on January 22, 2021 and January 25, 2021, the Company's California subsidiary filed with the CPUC a comprehensive settlement entered into among the Company's California subsidiary, the Public Advocates Office, and other intervenors. These settlement agreements resolved all matters in dispute among the parties to the settlements. These settlements, as well as resolution of issues raised by non-settling parties, are now before the CPUC for approval.

On January 22, 2020, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2021. On March 12, 2020, the CPUC granted the request for a one-year extension of the cost of capital filing to May 1, 2021, to set its authorized cost of capital beginning January 1, 2022. On January 5, 2021, the Company's California subsidiary submitted a request to further delay by one year its cost of capital filing and maintain the authorized cost of capital through 2022. On February 22, 2021, the CPUC denied the request to further delay the cost of capital filing. The Company's California subsidiary submitted its cost of capital application on May 3, 2021. Once approved by the CPUC, the new authorized cost of capital will be effective January 1, 2022.

Legislative Updates

During 2021, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of May 3, 2021:

- Indiana House Enrolled Act 349 establishes a tax rider for water and wastewater utilities based upon a change in state or federal income tax law. The legislation also requires the Indiana Finance Authority to prioritize loans that secure long-term benefits over shorter term projects.

During 2021, the Company's regulatory jurisdictions enacted the following legislation that has been approved but is not yet effective as of May 3, 2021:

- The Kentucky General Assembly has adopted House Bill 465 relating to the acquisition of water and wastewater utilities. The legislation affirms a method in valuing water and wastewater systems above net book value and establishes a timeline of 60 days for Public Service Commission approval of an acquisition. The legislation will be effective on June 30, 2021.
- Indiana House Enrolled Act 1287 creates a mechanism that reduces the required upfront cost to new customers for a water or wastewater utility to extend service to underserved areas. This legislation will be effective on July 1, 2021.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity (a "CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added "Measure J" to the November 2018 election ballot asking voters to decide whether the Monterey Peninsula Water Management District (the "MPWMD") should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed.

In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. On June 12, 2020, the MPWMD issued a draft environmental impact report for the potential acquisition of the Monterey system assets and a related district boundary adjustment that would be required if the MPWMD were to acquire and operate certain of the Monterey system assets located outside the MPWMD's boundaries. On September 15, 2020, the MPWMD gave notice of its intention to appraise the Monterey system assets and related property interests. On September 29, 2020, the Company's California subsidiary declined to make the Monterey system assets and related property interests available for inspection or to comply with any of the other requests contained in the MPWMD's notice. On October 7, 2020, the MPWMD issued a final environmental impact report ("FEIR"), and on November 4, 2020, the MPWMD certified the FEIR, which purports to analyze the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. On November 25, 2020, the Company's California subsidiary filed a petition challenging this certification in court. See Item 3—Legal Proceedings—Challenge of Certification—Proposed Monterey System Final Environmental Impact Report in the Company's Form 10-K.

On February 26, 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. Approval by LAFCO is a precondition to the MPWMD's ability to file an eminent domain proceeding against the Company's California subsidiary to acquire the Monterey system assets. If the MPWMD were to make a final determination that an acquisition of the Monterey system assets is feasible, it would then need to file a multi-year eminent domain proceeding against the Company's California subsidiary. In that proceeding, it would first need to establish its right to take the Monterey system assets. If such right is established, the amount of just compensation to be paid to the California subsidiary for such assets would then need to be determined. The MPWMD has stated that it anticipates filing such an eminent domain proceeding in late 2021 or early 2022.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company's Illinois subsidiary in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of $38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial has been scheduled for the week of October 25, 2021.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Three Months Ended March 31,	
	2021	2020
(In millions)		
Operating revenues	$ 888	$ 844
Operating expenses:		
Operation and maintenance	419	383
Depreciation and amortization	157	145
General taxes	83	77
Total operating expenses, net	659	605
Operating income	229	239
Other income (expense):		
Interest, net	(98)	(96)
Non-operating benefit costs, net	20	13
Other, net	4	3
Total other income (expense)	(74)	(80)
Income before income taxes	155	159
Provision for income taxes	22	35
Net income attributable to common shareholders	$ 133	$ 124

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. The Company also operates market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses, which is consistent with how management assesses the results of these businesses.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Three Months Ended March 31,	
	2021	2020
(In millions)		
Operating revenues	$ 755	$ 720
Operation and maintenance	320	298
Depreciation and amortization	147	135
General taxes	76	72
Other income (expenses)	(48)	(54)
Income before income taxes	163	162
Provision for income taxes	28	40
Net income attributable to common shareholders	135	123

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Three Months Ended March 31,	
	2021	2020
(In millions)		
Water services:		
Residential	$ 430	$ 399
Commercial	144	142
Fire service	37	37
Industrial	32	32
Public and other	53	56
Total water services	696	666
Wastewater services:		
Residential	36	31
Commercial	9	8
Industrial	1	1
Public and other	4	3
Total wastewater services	50	43
Other (a)	9	11
Total operating revenues	$ 755	$ 720

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Three Months Ended March 31,	
	2021	2020
(Gallons in millions)		
Billed water services volumes:		
Residential	36,859	35,550
Commercial	15,898	17,080
Industrial	8,069	8,439
Fire service, public and other	10,863	11,546
Total billed water services volumes	71,689	72,615

For the three months ended March 31, 2021, operating revenues increased $35 million, primarily due to: (i) $43 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) $8 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; and (iii) $20 million decrease in revenues due to the amortization of EADIT, which is generally offset with a reduction in income tax expense.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

	For the Three Months Ended March 31,	
	2021	2020
(In millions)		
Employee-related costs	$ 130	$ 125
Production costs	78	72
Operating supplies and services	57	56
Maintenance materials and supplies	24	19
Customer billing and accounting	17	14
Other	14	12
Total	$ 320	$ 298

For the three months ended March 31, 2021, operation and maintenance expense increased $22 million, primarily due to: (i) $5 million increase in employee-related costs primarily from higher headcount and related compensation expense in support of the growth in the business; (ii) $6 million increase in production costs primarily due to higher purchased water usage and costs across several subsidiaries; (iii) $5 million increase in maintenance materials and supplies primarily due to timing of maintenance and tank painting projects in the Company's New Jersey subsidiary; and (iv) $3 million increase in customer billing and accounting primarily due to higher uncollectible costs.

Depreciation and Amortization

For the three months ended March 31, 2021, depreciation and amortization increased $12 million, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

For the three months ended March 31, 2021, general taxes increased $4 million, primarily due to increased capital investments, including acquisitions and an increase in the New Jersey Gross Receipts Tax.

Other Income (Expenses)

For the three months ended March 31, 2021, other income (expenses) increased $6 million, primarily due to the reduction in the non-service cost components of pension and other postretirement benefits expense resulting from higher asset returns.

Provision for Income Taxes

For the three months ended March 31, 2021, the Regulated Businesses' provision for income taxes decreased $12 million. The Regulated Businesses' effective income tax rate was 17.2% and 24.7% for the three months ended March 31, 2021 and 2020, respectively. The decrease in the Regulated Businesses' effective income tax rate for the three months ended March 31, 2021 was primarily due to an increase in the amortization of EADIT from the settlement of regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Market-Based Businesses

Presented in the table below is information for the Market-Based Businesses:

	For the Three Months Ended March 31,	
	2021	2020
(In millions)		
Operating revenues	$ 137	$ 128
Operation and maintenance	107	91
Depreciation and amortization	5	6
Income before income taxes	22	30
Provision for income taxes	6	8
Net income attributable to common shareholders	17	22

Operating Revenues

For the three months ended March 31, 2021, operating revenues increased $9 million primarily due to an increase in capital and O&M projects in the Military Services Group ("MSG"), across several of the Company's military bases, primarily at the United States Military Academy at West Point, New York, Fort Leonard Wood and Joint Base San Antonio.

Operation and Maintenance

For the three months ended March 31, 2021, O&M expense increased $16 million, primarily due to (i) costs associated with MSG from increased capital upgrades as discussed above; and (ii) additional costs associated with an increase of claims in 2021 in HOS, from extreme cold weather across the country during the first quarter of 2021, primarily in Texas and Illinois, and a continuation of more stay-at-home activities as experienced throughout most of 2020 due to the COVID-19 pandemic.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company's Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, and, if and to the extent necessary, borrowings under AWCC's revolving credit facility, and, in the future, issuances of equity. The Company's revolving credit facility provides $2.25 billion in aggregate total commitments from a diversified group of financial institutions. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support, and to provide for the issuance of up to $150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is $2.10 billion. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million. The weighted-average interest rate on AWCC's outstanding short-term borrowings, including $500 million of outstanding principal on the Term Loan Facility (as defined below) as of December 31, 2020, was approximately 0.17% and 0.53% at March 31, 2021 and December 31, 2020, respectively.

To ensure adequate liquidity given the impacts of the COVID-19 pandemic on debt and capital markets, on March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). The proceeds were used for general corporate purposes of AWCC and American Water and to provide additional liquidity. As of December 31, 2020, $500 million of principal was outstanding under the Term Loan Facility. The Term Loan Facility commitments terminated at maturity on March 19, 2021 and the Term Loan Facility was repaid in full.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of March 31, 2021		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(1,115)	(76)	(1,191)
Remaining availability as of March 31, 2021	$ 985	$ 74	$ 1,059

(a) Total remaining availability of $1.06 billion as of March 31, 2021 may be accessed through revolver draws.

	As of December 31, 2020		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	$ 1,314	$ 74	$ 1,388

(a) Total remaining availability of $1.39 billion as of December 31, 2020 may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of March 31, 2021 and December 31, 2020, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of March 31, 2021	$ 69	$ 1,059	$ 1,128
Available liquidity as of December 31, 2020	$ 547	$ 1,388	$ 1,935

The Company believes that existing sources of liquidity are sufficient to meet its cash requirements for the foreseeable future. Though not currently anticipated, no assurances can be provided that the lenders will meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms. See Note 9—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company's cash flows provided by operating activities:

	For the Three Months Ended March 31,	
	2021	2020
(In millions)		
Net income	$ 133	$ 124
Add (less):		
Depreciation and amortization	157	145
Deferred income taxes and amortization of investment tax credits	26	38
Other non-cash activities (a)	(40)	(13)
Changes in working capital (b)	(88)	(104)
Pension and postretirement healthcare contributions	(9)	(10)
Net cash flows provided by operating activities	$ 179	$ 180

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net.

For the three months ended March 31, 2021, cash flows provided by operating activities decreased $1 million, primarily due to the change in other non-cash activities including activity in regulatory accounts, partially offset by an increase in net income and change in working capital due to decreased accounts receivable resulting from increased collections.

Cash Flows Used in Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows used in investing activities:

	For the Three Months Ended March 31,	
	2021	2020
(In millions)		
Net capital expenditures	$ (342)	$ (408)
Acquisitions	(3)	(21)
Other investing activities, net (a)	(18)	(21)
Net cash flows used in investing activities	$ (363)	$ (450)

(a) Includes removal costs from property, plant and equipment retirements and proceeds from sale of assets.

For the three months ended March 31, 2021, cash used in investing activities decreased $87 million, primarily due to the timing of payments for capital expenditures and the timing of acquisitions. The Company plans to invest approximately $1.9 billion across its footprint in 2021.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows provided by financing activities:

	For the Three Months Ended March 31,	
	2021	2020
(In millions)		
Proceeds from long-term debt	$ 2	$ 8
Repayments of long-term debt	(25)	(6)
(Repayments of) proceeds from term loan	(500)	500
Net proceeds from revolving credit facility borrowings	—	215
Net proceeds from short-term borrowings	334	139
Dividends paid	(100)	(90)
Other financing activities, net (a)	(4)	2
Net cash flows (used in) provided by financing activities	$ (293)	$ 768

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the three months ended March 31, 2021, cash flows provided by financing activities decreased $1,061 million, primarily due to the $500 million borrowed under the Term Loan Facility during the first quarter of 2020 which was repaid in full at maturity in 2021 and $215 million net borrowings under the revolving credit facility during the first quarter of 2020, partially offset by increased proceeds from commercial paper borrowings.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company or its subsidiaries may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On March 31, 2021, the Company's ratio was 0.62 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of May 3, 2021 as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. None of the Company's borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, energy, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 7—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

Financial condition of the Company, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2020.

The Company had no significant derivative instruments outstanding as of March 31, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

American Water maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of March 31, 2021.

Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2021, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Form 10-K in Part I, Item 3—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K.

Alternative Water Supply in Lieu of Carmel River Diversions

Monterey Peninsula Water Supply Project

Coastal Development Permit Application

In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. The original jurisdiction application remains pending.

Water Supply Project Land Acquisition and Slant Well Site Use

On February 16, 2021, the City filed a separate but related *in rem* reverse validation complaint challenging the adoption by the County of Monterey of a GSP for the CEMEX site. This complaint remains pending.

Other Matters

On April 2, 2021, American Water Resources, LLC ("AWR"), an indirect, wholly owned subsidiary of the parent company, received a grand jury subpoena for certain of its records in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY"). A portion of HOS, which provides warranty protection programs and other home services to residential customers, is conducted through AWR. The subpoena seeks information about AWR's operations and its contractor network in the New York City metropolitan area. Based on the subpoena and discussions with the EDNY, the investigation does not appear to be focused on the parent company or the operations of any of its other subsidiaries. AWR is fully cooperating with the investigation. While it is not possible at this time to predict the outcome of the investigation or determine the amount, if any, of fines, penalties or other liabilities that may be incurred in connection with it, the Company does not currently believe that the investigation will have a material adverse effect on the Company's results of operations, financial condition or liquidity.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in the Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A—Risk Factors in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended March 31, 2021. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through March 31, 2021, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
#2.1	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
*10.1	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant.
*10.2	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for Walter J. Lynch).
*10.3	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for M. Susan Hardwick).
*10.4	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for Michael A. Sgro).
*10.5	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A.
*10.6	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A (for Walter J. Lynch).
*10.7	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A (for M. Susan Hardwick).
*10.8	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A (for Michael A. Sgro).
*10.9	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B.
*10.10	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B (for Walter J. Lynch).
*10.11	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B (for M. Susan Hardwick).
*10.12	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B (for Michael A. Sgro).
*10.13	Offer Letter for Employment, dated February 16, 2021, between American Water Works Company, Inc. and Cheryl Norton.
*10.14	Separation Agreement and General Release, dated as of November 5, 2020, between American Water Works Company, Inc. and Brian Chin.
*10.15	Separation Agreement and General Release, dated as of March 9, 2021, between American Water Works Company, Inc. and Bruce Hauk.
*31.1	Certification of Walter J. Lynch, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of M. Susan Hardwick, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of Walter J. Lynch, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of M. Susan Hardwick, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Filed herewith.

** Furnished herewith

The Stock Purchase Agreement filed as Exhibit 2.1 hereto has been included to provide investors and security holders with information regarding its terms. It is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the Stock Purchase Agreement (i) were made by the parties thereto only for purposes of that agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the Stock Purchase Agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the Stock Purchase Agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the Stock Purchase Agreement instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the Stock Purchase Agreement may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Stock Purchase Agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The Stock Purchase Agreement should not be read alone, but should instead be read in conjunction with the other information regarding the Company and its New York subsidiary that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 3rd day of May, 2021.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ WALTER J. LYNCH
Walter J. Lynch
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Vice President and Controller
(Principal Accounting Officer)

Exhibit 10.1

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2021 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraph (c) below, the Restricted Stock Units shall vest on the following dates (each a "Service Date"), provided the Participant continues to be

employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Service Date	Units Vesting
January 31, 2022	1/3
January 31, 2023	1/3
January 31, 2024	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2024, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraph (c) below, if at any time prior to January 31, 2024, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If at any time prior to January 31, 2024, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined below), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the

Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan.

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's

Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be immediately forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in Paragraph 3(c) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

a. To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

b. The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

c. As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the

Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the

Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended

without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Walter Lynch



Its: President and CEO

Exhibit 10.2

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2021 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraphs (c), (d), and (e) below, the Restricted Stock Units shall vest on the following dates (each a "Service Date"), provided the Participant

continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Service Date	Units Vesting
January 31, 2022	1/3
January 31, 2023	1/3
January 31, 2024	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2024, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraphs (c), (d), and (e) below, if at any time prior to January 31, 2024, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If prior to January 31, 2024, the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Normal Retirement in accordance with the schedule set forth in subparagraph 3(a). For purposes of this Grant, (i) "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause (as defined below)) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof and (ii) "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(d) If prior to January 31, 2024, the Participant's employment or service with the Employer terminates on account of Early Retirement (as defined below), then 75% of the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Early Retirement in accordance with the schedule set forth in subparagraph 3(a) and the remaining 25% of the portion of the Restricted Stock Units that have not vested as of the Participant's Early Retirement shall be immediately forfeited. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for

Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(e) If at any time prior to January 31, 2024, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in 3(c)), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of clarity, if any Restricted Stock Units become vested pursuant to subparagraphs 3(c) or 3(d) above as a result of termination of employment or service with the Employer on account of Normal Retirement or Early Retirement, the Redemption Date for such vested Restricted Stock Units shall be the applicable Service Date or Change of Control Date to which such Restricted Stock Units would have been redeemed if the Participant had remained in the employment or service of the Employer (i.e., the Redemption

Date continues to be the originally scheduled Service Date as provided in subparagraph 3(a) above or the Change of Control Date, if earlier, and is not accelerated to an earlier Service Date or to the date on which the termination of employment or service occurs).

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be immediately forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in subparagraph 3(e) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Chairman of the Board

Exhibit 10.3

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to M. Susan Hardwick (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2021 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant 2,117 units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraphs (c), (d), (e) and (f) below, the Restricted Stock Units shall vest on the following dates (each a "Service Date"), provided the Participant

continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Service Date	Units Vesting
January 31, 2022	1/3
January 31, 2023	1/3
January 31, 2024	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2024, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraphs (c), (d), (e) and (f) below, if at any time prior to January 31, 2024, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If prior to January 31, 2024, the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Normal Retirement in accordance with the schedule set forth in subparagraph 3(a). For purposes of this Grant, (i) "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause (as defined below)) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof and (ii) "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(d) If prior to January 31, 2024, the Participant's employment or service with the Employer terminates on account of Early Retirement (as defined below), then 75% of the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Early Retirement in accordance with the schedule set forth in subparagraph 3(a) and the remaining 25% of the portion of the Restricted Stock Units that have not vested as of the Participant's Early Retirement shall be immediately forfeited. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for

Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(e) If at any time prior to January 31, 2024, the Participant's employment or service with the Employer terminates on account of Normal Retirement or Early Retirement before achieving five (5) total years of employment or service with the Employer, but the Participant has completed a minimum of three (3) years of service in the position of Chief Financial Officer and has achieved the required Normal Retirement or Early Retirement age, the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Normal Retirement or Early Retirement in accordance with the schedule set forth in subparagraph 3(a), so long as the Participant has used good faith efforts (as determined by the Chief Executive Officer) to identify and develop a Chief Financial Officer successor who is approved by the Chief Executive Officer and the Board of Directors.

(f) If at any time prior to January 31, 2024, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in 3(c)), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the

Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of clarity, if any Restricted Stock Units become vested pursuant to subparagraphs 3(c) or 3(d) above as a result of termination of employment or service with the Employer on account of Normal Retirement or Early Retirement, the Redemption Date for such vested Restricted Stock Units shall be the applicable Service Date or Change of Control Date to which such Restricted Stock Units would have been redeemed if the Participant had remained in the employment or service of the Employer (i.e., the Redemption Date continues to be the originally scheduled Service Date as provided in subparagraph 3(a) above or the Change of Control Date, if earlier, and is not accelerated to an earlier Service Date or to the date on which the termination of employment or service occurs).

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the

Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be immediately forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in subparagraph 3(e) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the

Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate

the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Walter Lynch



Its: President and CEO

Exhibit 10.4

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to Michael A. Sgro (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2021 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant 1,325 units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraph (c) below, the Restricted Stock Units shall vest on January 31, 2022 (the "Service Date"), provided the Participant continues to be employed

by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the Service Date:

(b) Subject to subparagraph (c) below, if at any time prior to January 31, 2022, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If at any time prior to January 31, 2022, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined below), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as

administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan.

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be immediately forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in Paragraph 3(c) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such

actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax

withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or

unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Walter Lynch



Its: President and CEO

Exhibit 10.5

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2021 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goal described in Paragraph 3 below (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal described in subparagraph (b) below for the Performance Period (the "Performance Goal") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the Peer Group companies set forth in Exhibit A attached hereto over the Performance Period (as defined below). The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2020, and December 31, 2023, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$TSR = \frac{\text{(Dividend Adjusted Ending Stock Price – Dividend Adjusted Initial Stock Price)}}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2021 and ending December 31, 2023, and the term "Peer Group" shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(e), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2022, but prior to January 31, 2023; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2024. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 31, 2022 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goal. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2024 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock.

Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2021 LTPP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time)regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019

(and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company

hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended

without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Walter Lynch



Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. CenterPoint Energy
5. CMS Energy Corporation
6. Entergy Corporation
7. Evergy, Inc.
8. Eversource Energy
9. MDU Resources Group
10. NiSource Inc.
11. OGE Energy Corp.
12. Pinnacle West Capital Corporation
13. PPL Corporation
14. UGI Corporation
15. WEC Energy Group, Inc.

Exhibit 10.6

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit, and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2021 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goal described in Paragraph 3 below (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal described in subparagraph (b) below for the Performance Period (the "Performance Goal") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the Peer Group companies set forth in Exhibit A attached hereto over the Performance Period (as defined below). The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2020, and December 31, 2023, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$TSR = \frac{\text{(Dividend Adjusted Ending Stock Price – Dividend Adjusted Initial Stock Price)}}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2021 and ending December 31, 2023, and the term "Peer Group" shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(e), 4(b), or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the

Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2022, but prior to January 31, 2023; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2024. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full

calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2022 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goal. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2024 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of

a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2021 LTPP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan

established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither

shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Chairman of the Board

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. CenterPoint Energy
5. CMS Energy Corporation
6. Entergy Corporation
7. Evergy, Inc.
8. Eversource Energy
9. MDU Resources Group
10. NiSource Inc.
11. OGE Energy Corp.
12. Pinnacle West Capital Corporation
13. PPL Corporation
14. UGI Corporation
15. WEC Energy Group, Inc.

Exhibit 10.7

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to M. Susan Hardwick (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit, and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2021 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant 1,730 performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goal described in Paragraph 3 below (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal described in subparagraph (b) below for the Performance Period (the "Performance Goal") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the Peer Group companies set forth in Exhibit A attached hereto over the Performance Period (as defined below). The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2020, and December 31, 2023, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$TSR = \frac{\text{(Dividend Adjusted Ending Stock Price – Dividend Adjusted Initial Stock Price)}}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2021 and ending December 31, 2023, and the term "Peer Group" shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(e), 4(b), 4(c) or 4(d), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the

Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2022, but prior to January 31, 2023; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2024. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full

calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) If at any time prior to January 31, 2024, the Participant's employment or service with the Employer terminates on account of Normal Retirement or Early Retirement before achieving five (5) total years of employment or service with the Employer, but the Participant has completed a minimum of three (3) years of service in the position of Chief Financial Officer and has achieved the required Normal Retirement or Early Retirement age, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period following the Participant's termination of employment or service on account of Normal Retirement or Early Retirement, so long as the Participant has used good faith efforts (as determined by the Chief Executive Officer) to identify and develop a Chief Financial Officer successor who is approved by the Chief Executive Officer and the Board of Directors.

(e) Except as set forth in Paragraphs 4(b), 4(c) or 4(d), if at any time prior to the earlier of January 31, 2022 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(f) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goal. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2024 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock.

Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2021 LTPP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019

(and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company

hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to

be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Walter Lynch



Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. CenterPoint Energy
5. CMS Energy Corporation
6. Entergy Corporation
7. Evergy, Inc.
8. Eversource Energy
9. MDU Resources Group
10. NiSource Inc.
11. OGE Energy Corp.
12. Pinnacle West Capital Corporation
13. PPL Corporation
14. UGI Corporation
15. WEC Energy Group, Inc.

Exhibit 10.8

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to Michael A. Sgro (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2021 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant 1,083 performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goal described in Paragraph 3 below (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal described in subparagraph (b) below for the Performance Period (the "Performance Goal") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the Peer Group companies set forth in Exhibit A attached hereto over the Performance Period (as defined below). The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

Level of Achievement	**Percentile Ranking Relative to Peer Group**	**Percentage of Target Award Earned**
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2020, and December 31, 2023, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$TSR = \frac{\text{(Dividend Adjusted Ending Stock Price – Dividend Adjusted Initial Stock Price)}}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2021 and ending December 31, 2023, and the term "Peer Group" shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(e), unless the Participant's employment or service with the Employer terminates before January 31, 2022, the Participant will vest in the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 31, 2022 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goal. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2024 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the

election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2021 LTPP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time)regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this

Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Walter Lynch



Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. CenterPoint Energy
5. CMS Energy Corporation
6. Entergy Corporation
7. Evergy, Inc.
8. Eversource Energy
9. MDU Resources Group
10. NiSource Inc.
11. OGE Energy Corp.
12. Pinnacle West Capital Corporation
13. PPL Corporation
14. UGI Corporation
15. WEC Energy Group, Inc.

Exhibit 10.9

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2021 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2021 and ending December 31, 2023.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2022, but prior to January 31, 2023; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2024. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 31, 2022 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2024 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock.

Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2021 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend, equivalents will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive

Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the

Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended

without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Walter Lynch



Its: President and CEO

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of $3.91 for the year ended December 31, 2020. The ending point for the calculation will be EPS for the year ended December 31, 2023, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
10.0% or more	200%
9.0%	175%
8.0%	100%
7.0%	25%
< 6.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at

200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2020 Adjusted	12/31/2023 Illustration
Adjusted diluted earnings per share from continuing operations	$ 3.91	$ 5.04
Compounded EPS growth		**8.83%**

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	8.83%	162.5%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,625 Performance Units (1,000 x 1.625), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

Exhibit 10.10

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2021 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2021 and ending December 31, 2023.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b) or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2022, but prior to January 31, 2023; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2024. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early

Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2022 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2024 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the

applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2021 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim

any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's

discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or

unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Chairman of the Board

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of $3.91 for the year ended December 31, 2020. The ending point for the calculation will be EPS for the year ended December 31, 2023, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
10.0% or more	200%
9.0%	175%
8.0%	100%
7.0%	25%
< 6.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at

200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2020 Adjusted	12/31/2023 Illustration
Adjusted diluted earnings per share from continuing operations	$ 3.91	$ 5.04
Compounded EPS growth		**8.83%**

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	8.83%	162.5%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,625 Performance Units (1,000 x 1.625), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

Exhibit 10.11

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to M. Susan Hardwick (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2021 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant 2,470 performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2021 and ending December 31, 2023.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b), 4(c) or 4(d), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2022, but prior to January 31, 2023; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2024. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early

Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) If at any time prior to January 31, 2024, the Participant's employment or service with the Employer terminates on account of Normal Retirement or Early Retirement before achieving five (5) total years of employment or service with the Employer, but the Participant has completed a minimum of three (3) years of service in the position of Chief Financial Officer and has achieved the required Normal Retirement or Early Retirement age, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period following the Participant's termination of employment or service on account of Normal Retirement or Early Retirement, so long as the Participant has used good faith efforts (as determined by the Chief Executive Officer) to identify and develop a Chief Financial Officer successor who is approved by the Chief Executive Officer and the Board of Directors.

(e) Except as set forth in Paragraphs 4(b), 4(c) or 4(d), if at any time prior to the earlier of January 31, 2022 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(f) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2024 (the "Distribution Date"), (b) the Change of

Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2021 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive

Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the

Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended

without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Walter Lynch



Its: President and CEO

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of $3.91 for the year ended December 31, 2020. The ending point for the calculation will be EPS for the year ended December 31, 2023, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
10.0% or more	200%
9.0%	175%
8.0%	100%
7.0%	25%
< 6.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at

200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2020 Adjusted	12/31/2023 Illustration
Adjusted diluted earnings per share from continuing operations	$ 3.91	$ 5.04
Compounded EPS growth		**8.83%**

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	8.83%	162.5%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,625 Performance Units (1,000 x 1.625), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to Michael A. Sgro (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2021 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant 1,546 performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2021 and ending December 31, 2023.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(c), unless the Participant's employment or service with the Employer terminates before January 31, 2022, the Participant will vest in the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 31, 2022 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2024 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five

(5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2021 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend, equivalents will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim

any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's

discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or

unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Walter Lynch



Its: President and CEO

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of $3.91 for the year ended December 31, 2020. The ending point for the calculation will be EPS for the year ended December 31, 2023, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
10.0% or more	200%
9.0%	175%
8.0%	100%
7.0%	25%
< 6.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at

200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2020 Adjusted	12/31/2023 Illustration
Adjusted diluted earnings per share from continuing operations	$ 3.91	$ 5.04
Compounded EPS growth		**8.83%**

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	8.83%	162.50%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,625 Performance Units (1,000 x 1.625), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

Exhibit 10.13

February 16, 2021

Ms. Cheryl Norton
198 Hopkins Road
Mickleton, NJ 08056

Dear Cheryl:

On behalf of American Water Works Service Company, Inc., I am pleased to confirm your new position of Executive Vice President, COO, reporting to Walter Lynch, President and CEO at our Camden, New Jersey headquarters office. The effective date of your new position will be Monday, March 1, 2021. We are confident that you will find your new position to be personally rewarding and one in which you can make significant contributions to the company. ***The terms of this offer letter are subject to the recommendation of the Executive Development & Compensation Committee and the approval of the American Water Board of Directors.***

Safety, trust, teamwork, high performance, and environmental leadership define our culture – a culture where every employee feels valued and lives up to his or her potential. Creating an environment where differences are embraced and where every person feels engaged and included makes us safer, stronger, and more successful. We believe that our success is based upon our employees having a vested interest in our business. As a part of our team, you will be tasked with helping make a great company even better – in doing so, you will be rewarded for your contributions. The following is our offer to you:

Base Salary: Your new bi-weekly salary is $19,230.77, which when annualized, will be approximately $500,000.00, subject to applicable withholdings. The salary level for your position is 95 Your job performance will be reviewed annually as part of our performance management process and you may be eligible for a merit increase in 2022.

APP: Your target award eligibility previously at 50% will change to 75% of your annual base salary for the 2021 APP cycle. For reference purposes, the 2021 cycle covers the period beginning on 01/01/2021 through 12/31/2021 and target awards are prorated based on your effective date. Awards from the Annual Performance Plan are based on several factors including company performance and attainment of individual performance objectives, and payments may be higher or lower than target.

LTPP: You remain eligible to receive a performance award under the American Water Long Term Performance Plan and your target opportunity under this plan will increase to 150% of your base salary. For the 2021 annual grant in February, your grants will be based on your current base salary and LTPP target percentage. Effective March 1, 2021, you will receive a second set of grants that reflects the difference between your February grants and the grant amount based on your new base salary and LTPP target percentage.

For reference purposes, awards are currently granted under the terms and conditions of the Company's 2017 Omnibus Equity Compensation Plan (the "Plan"), in the form of restricted stock units and performance stock units, as follows: 30% Restricted Stock Units, 35% performance stock units based on TSR ranking and 35% performance stock units based on adjusted compounded EPS growth. In the event of any conflict between your offer letter and the terms of the award grant documents and the Plan, the terms of the award documents and the Plan will govern.

In addition, for so long as you remain COO, equity awards granted to you on and after the date of this offer letter would include specific post-retirement continued vesting provisions applicable to that position. Under these provisions, if you remain COO for at least three (3) consecutive years (beginning on the date your appointment as EVP and COO is effective), your equity awards will continue to vest over the normal vesting schedule of the award following a separation of service based upon either normal retirement or early retirement, as follows:

- In the event of a normal retirement, defined as having attained age 60 and five years of service, the award will continue to vest in full; and
- In the event of an early retirement, defined as having attained age 55 and five years of service, 75 percent of the award will continue to vest.

AMERICAN WATER

Benefits: Your current benefits will remain unchanged and in effect, including your current vacation accrual.

Non-Qualified Deferred Compensation Plan: You continue to be eligible to participate in our Non-Qualified Deferred Compensation Plan beginning in 2022, based on annual enrollment in the prior December. The Company may make Employer Matching and Defined Contribution Account contributions as soon as administratively practicable after the end of the applicable plan year. Under the Non-Qualified Deferred Compensation Plan, Employer Matching contributions are immediately vested; Defined Contribution Account contributions will vest after five years of service.

As you will be a Section 16 officer of the Company, American Water may be required to disclose your compensation and/or this offer letter in an SEC filing. Your signature below indicates your acknowledgment of this requirement of your position.

Your signature below indicates your acceptance of our offer and the terms of employment with American Water. Please review, sign and return a copy of this promotion letter.

Cheryl, we wish you the best of luck in your new role and future opportunities with American Water!

Sincerely,



Walter Lynch
President and CEO
American Water

cc: Melanie Kennedy, Senior Vice President, Chief Human Resources Officer
Greg O'Shea, Human Resources Business Partner
Kate DePhilippo, Director, Compensation
Marianne Taylor, Director, Talent Acquisition

I, Cheryl Norton, understand that my employment with American Water is "at will," which means that I am not guaranteed employment or any particular job for any specified period of time. The Company or I may terminate my employment at any time, for any or no reason, with or without cause.

_/s/ Cheryl Norton_____February 18, 2021_____
Signature Date

Exhibit 10.14

SEVERANCE AGREEMENT AND GENERAL RELEASE

This Severance Agreement and General Release ("Agreement") dated November 5, 2020 is between American Water Works Service Company, Inc. ("American Water" or the "Company") and Brian James Chin ("Executive").

WHEREAS, Executive's employment with the Company will end as of the close of business on November 5, 2020, subject to the terms of this Agreement ("Separation Date");

WHEREAS, Executive and American Water have agreed to resolve all claims and potential claims which have been, or could have been, brought by Executive against American Water arising out of Executive's employment with American Water to date;

WHEREAS, Executive and American Water desire to document the terms of their agreement, with the parties agreeing that neither party admits wrongdoing, fault, or liability whatsoever, and that nothing herein shall be construed or interpreted as an admission of any wrongdoing, fault or liability of either party; and

NOW THEREFORE, in consideration of the mutual promises and releases contained herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Severance Benefits.** In return for the execution and non-revocation of the Agreement and the full performance by Executive of Executive's obligations described in this Agreement, American Water agrees to provide Executive with the following compensation and benefits ("Severance Benefits"):

   a. Severance. American Water shall pay to Executive a lump-sum severance of $367,709.00. The Severance Payment will be subject to all regular lawful withholdings and deductions.

   b. APP Bonus. Executive will be eligible to receive a prorated FY 2020 APP bonus. If a bonus is paid, pursuant to the Company's financial performance and departmental goals, Executive will receive the prorated bonus on the same date as current active employees, usually within the first three (3) months in the year following the execution of this Agreement.

   c. Group Health Insurance. If Executive participates in American Water's group health care plan on Executive's Separation Date and Employee timely elects continuing coverage through the federal Consolidated Omnibus Budget Reconciliation Act ("COBRA"), American Water shall pay both employee and employer portions of the costs associated with maintaining this coverage through COBRA for four (4) months. This four-month period will be retroactive to December 1, 2020. Thereafter, Executive and any eligible dependents will be entitled to continue health care coverage at Executive's sole expense for the

remaining balance of the COBRA coverage period. Executive's right to COBRA health care continuation will be set forth in a separate letter.

d. Employee Assistance Program. American Water will provide Executive six (6) months of continued access to the American Water Executive Assistance Program ("EAP") for Executive.

e. Outplacement Services. American Water will provide Executive with twelve (12) months of outplacement services through a designated provider arranged by American Water to assist Executive in obtaining other employment.

2. **Accrued Benefits**. In addition to the amounts provided under Paragraph 1 of this Agreement, following the Separation Date, Executive will be entitled to receive all (i) accrued, but unpaid, base salary earned by, but not paid to, Executive prior to the Separation Date, which will be paid to Executive on the first payroll date that follows the Separation Date, subject to any deferral agreement Executive previously entered into with the Company with respect to such base salary; (ii) any accrued, but unused, vacation as of the Separation Date, which will be paid to Executive on the first Company payroll date that follows the Separation Date; and (iii) any accrued or owing, but not yet paid, vested benefits under the Company's 401(k) plan, pension plan, nonqualified deferred compensation plan, and post-employment retirement plan and any other plan in which Executive participated, which will be paid to Executive at the times provided under such plans. Any stock options, restricted stock units and performance stock unit grants that were granted to Executive under the Equity Plan that are outstanding and vested as of the Separation Date will be subject to the terms and conditions of the respective grant agreements covering such grants. Executive understands and acknowledges that he shall not have any further rights with respect to equity grants under the Equity Plan except for any rights that vested prior to the Separation Date.

3. **Conditions of Receipt and Timing**. Executive shall not be entitled to receive the Severance Benefits until (i) Executive signs this Agreement, (ii) the seven (7)-day Revocation Period referenced in Section 9(g) below expires without Executive having exercised Executive's right of revocation, and (iii) all Company property has been returned in accordance with Section 5(d) below. Provided that this Agreement is signed, and is not revoked, the Severance Payment will be made to Executive within sixty (60) days of the Separation Date. If a payment that is conditioned on signing this Agreement could be paid in more than one taxable year, the payment will be made in the later taxable year.

4. **Confidentiality; Non-Disclosure; Return of Property, Disparaging Statements, References, Unemployment Compensation and Taxes.**

a. Confidentiality. Executive understands and agrees that the terms and contents of this Agreement shall remain confidential by Executive or Executive's agents and representatives and shall not be disclosed, with the exception of: (1) members of

Executive's immediate family, Executive's attorneys, accountants, tax or financial advisors, each of who shall be informed of this confidentiality obligation and shall agree to be bound by its terms; (2) to the Internal Revenue Service or state or local taxing authority; (3) as is expressly required or protected by law; (4) American Water press release or filing with the Securities and Exchange Commission; or any disclosures made by the Executive to pursuant to the whistleblower provisions in the Exchange Act (15 U.S.C. § 78u-6) and the Sarbanes Oxley Act of 2002 (18 U.S.C. § 1514A); and/or (5) in any action to challenge or enforce the terms of this Agreement, provided that such disclosure by an appropriate confidentiality order to the maximum extent permitted by applicable authority.

b. Non-Solicitation, Non-Disclosure of Confidential Information and Intellectual Property. Employee acknowledges that the confidentiality and non-solicitation provisions contained in the Non-Compete, Non-Solicitation and Non-Disclosure Agreement, executed on June 20, 2017, are incorporated by reference into this Agreement and that the terms and conditions remain in full force and effect.

c. Notice of Immunity for Confidential Disclosure of a Trade Secret to an Attorney, the Government or in a Court Filing. Federal law provides certain protections to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances. Specifically, federal law provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret under either of the following conditions:

- Where the disclosure is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or

- Where the disclosure is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. 18 U.S.C. § 1833(b)(1).

Federal law also provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order. 18 U.S.C. § 1833(b)(2).

d. Return of Property. Executive shall immediately return to American Water (and shall not retain any copies of) any and all property of the Company in Executive's possession, including (without limitation) all papers, documents, business plans, project pipeline information, correspondence, office pass, keys, telephones,

blackberry or other personal devices, credit cards, electronic or digitally stored information, and computer equipment.

e. Disparaging Statements. Executive agrees not to make any negative or disparaging written (to include online or other written statements) or oral statements concerning the name, business reputation, business practices, products, services, officers, directors, employees and former employees of American Water or Releasees (as defined in Section 6(a) below). Nothing in this Agreement shall preclude Executive from communicating or testifying truthfully (i) to the extent required or protected by law, (ii) to any federal, state, or local governmental agency, (iii) in response to a subpoena to testify issued by a court of competent jurisdiction, or (iv) in any action to challenge or enforce the terms of this Agreement. Executive understands that this is a material provision of this Agreement.

f. Unemployment Compensation. American Water agrees not to oppose Executive's application for unemployment compensation benefits, if any. American Water shall, however, respond as necessary to any inquiries from any governmental agencies with respect to Executive's unemployment compensation claim.

g. References. Executive agrees that all requests for references from prospective employers will be directed solely to the attention of Melanie Kennedy, Senior Vice President, Human Resources, American Water Works Service Company, Inc., 1 Water Street, Camden, NJ 08102, Melanie.Kennedy@amwater.com. Upon any request for a reference, Ms. Kennedy will confirm solely Executive's dates of employment with American Water, positions Executive held with American Water, and Executive's last salary earned with American Water.

h. Taxes. As required by law, the Company will issue the appropriate IRS Form(s) at the appropriate time. Any payments provided for herein shall be reduced by any amounts required to be withheld by the Company from time to time under applicable federal, state or local income or employment tax laws or similar statutes or other provisions of law then in effect. Executive agrees that (i) Executive shall be solely responsible for all taxes, including, but not limited to, income and excise taxes, imposed on Executive because of amounts paid to Executive by the Company under this Agreement; (ii) Executive shall not seek reimbursement from the Company for such taxes; and (iii) Executive agrees to and does hereby indemnify and hold the Company harmless against any and all tax liability, interest, and/or penalties caused as a result of any action or inaction by Executive.

5. **General Release of Legal Claims.**

a. Executive, on behalf of Executive, and Executive's heirs, executors, administrators, and/or assigns, does hereby releases and forever discharges

American Water, together with its parents, subsidiaries, affiliates, predecessors, and successor corporations and business entities, past, present and future, and its and their agents, directors, officers, partners, employees, shareholders, insurers and reinsurers, and employee benefit plans (and the trustees, administrators, fiduciaries, insurers, and reinsurers of such plans) past, present and future, and their heirs, executors, administrators, predecessors, successors, and assigns (collectively, the "Releasees"), of and from any and all legally waivable claims, causes of actions, suits, lawsuits, debts, and demands whatsoever in law or in equity, known or unknown, suspected or unsuspected, which Executive ever had, now has or which Executive's executors administrators, or assigns hereafter may have from the beginning of time to the date Executive executes this Agreement, and including, without limitation, any claims arising from or relating to Executive's employment relationship with American Water, and the termination of such relationship, including, without limitation, any claims arising under Title VII of the Civil Rights Act of 1964 ("Title VII"), the Americans with Disabilities Act ("ADA"), the Executive Retirement Income Security Act ("ERISA"), the Family and Medical Leave Act ("FMLA"), the Age Discrimination in Employment Act of 1967 ("ADEA"), the Older Workers Benefit Protection Act ("OWBPA"), the New Jersey Law Against Discrimination ("NJLAD"), the Conscientious Employee Protection Act ("CEPA"), the New Jersey Family Leave Act, the New Jersey Millville Dallas Airmotive Plant Job Loss Notification Act, the Diane B. Allen Pay Equity Act, the New Jersey Earned Sick Leave Law, the New Jersey Equal Pay Act, the New Jersey Wage and Hour Law, the New Jersey Wage Payment Act, the New Jersey Constitution, the common law of the State of New Jersey, and any and all other federal, state, or local constitutional, statutory, regulatory, or common law causes of action now or hereafter recognized, and any claims for attorneys' fees and costs. Nothing in this Agreement shall waive rights or claims that arise after the date that Executive executes this Agreement.

b. Notwithstanding the broad scope of Section 6(a), this Agreement is not intended to bar any claims that, as a matter of applicable law, whether by statute or otherwise, cannot be waived, such as claims for workers' compensation benefits, unemployment insurance benefits, and any claims that arise after the date that the Executive executes this Agreement. Nothing in this Agreement is intended to interfere with, prevent or prohibit Executive from filing a claim with a federal, state or local government agency that is responsible for enforcing a law on behalf of the government, such as the Equal Employment Opportunity Commission ("EEOC") (including a challenge to the validity of this Agreement), Department of Labor ("DOL"), Securities and Exchange Commission ("SEC") or National Labor Relations Board ("NLRB"). Nor should anything in this Agreement be read to deter or prevent Executive from cooperating with or providing information to such a governmental agency during the course of its investigation or during litigation. However, Executive understands and agrees that, that except for claims brought pursuant to the SEC's Whistleblower Program (15 U.S.C. § 78u-6 and 18

U.S.C. § 1514A), Executive may not recover any monetary benefit or individualized relief as a result of any such claim brought on Executive's behalf.

6. **Cooperation.** Executive agrees that Executive shall cooperate with the Company in the defense of any claim currently pending or hereinafter pursued against the Company without the payment of any additional compensation other than as set forth in this Agreement. Such cooperation encompasses Executive's assistance with matters preliminary to the instigation of any legal proceeding and assistance during and throughout any litigation or legal proceeding, including, but not limited to, participating in any fact-finding or investigation, speaking with the Company's attorneys, preparing for (with the Company's attorneys) and testifying at depositions, testifying at hearings or at trial, and assisting with any post-litigation matter or appeal. Upon receipt of appropriate supporting documentation, American Water shall reimburse Executive for all of Executive's approved and reasonable costs and expenses incurred in connection with such cooperation. In the case of legal proceedings involving American Water, to the extent permissible by law, Executive will notify, in writing, the individual then holding the office of General Counsel, American Water Works Service Company, Inc., 1 Water Street, Camden, NJ 08102, of any subpoena or other similar notice to give testimony or provide documentation within two (2) business days of receipt of the same and prior to providing any response thereto. Nothing in this Agreement shall preclude Executive from participating in and fully cooperating with any governmental investigation and nothing herein shall be construed as suggesting or implying in any way that Employee should ever testify untruthfully.

7. **Business Expenses and Compensation.** Executive acknowledges and agrees that (i) should the Executive execute this Agreement, the amounts set forth in Sections 1 and 2 are in complete satisfaction of any and all compensation and benefits due to Executive from the Company, and that no further severance, compensation, benefits or other amounts are owed or will be paid to Executive by the Company, (ii) Executive has been reimbursed by American Water for all business expenses incurred in conjunction with the performance of Executive's employment and that no other reimbursements are owed to Executive, and (iii) Executive has not suffered any on-the-job injury for which the Executive has not already filed a claim.

8. **Acknowledgements**. Executive hereby certifies and acknowledges that:

   a. Executive has read the terms of this Agreement and that Executive understands its terms and effects, including the fact that Executive has agreed to **REMISE, RELEASE, AND FOREVER DISCHARGE** Releasees from all claims set forth in Section 6(a);

   b. Executive is receiving consideration which is in addition to anything of value to which Executive otherwise would have been entitled had Executive not executed this Agreement;

c. Executive enters into this Agreement knowingly and voluntarily without any coercion on the part of any person or entity;

d. Executive was given adequate time to consider all implications and to freely and fully consult with and seek the advice of whomever Executive deemed appropriate;

e. Executive was advised in writing, by way of this Agreement, to consult an attorney before signing this Agreement;

f. Executive has been given twenty-one (21) calendar days within which to consider this Agreement before signing it ("Consideration Period") and, in the event that Executive signs this Agreement and returns it back to the Company in accordance with the Notice provision below during this Consideration Period, said signing constitutes a knowing and voluntary waiver of this Consideration Period. Employee further understands and agrees that any changes to this Agreement, whether material or immaterial, do not restart the Consideration Period;

g. Executive shall have the right to revoke this Agreement within seven (7) calendar days after signing it (the "Revocation Period"). If the seventh day is a weekend or national holiday, Executive has until the next business day to revoke. If Executive elects to revoke this Agreement, Executive shall notify Melanie Kennedy, Senior Vice President, Human Resources, American Water Works Service Company, Inc., 1 Water Street, Camden, NJ 08102, Melanie.Kennedy@amwater.com in writing of Executive's revocation. Unless revoked within this period, this Agreement will become irrevocable on the eighth day after it is signed; and

h. Executive does not waive rights or claims that may arise after the date this Agreement is executed.

9. **General Terms.**

a. Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the recipient, two (2) business days after the date when sent to the recipient by reputable express courier service (charges prepaid) or four (4) business days after the date when mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid. Such notices, demands and other communications shall be sent to Executive and to the Company at the addresses set forth below:

If to Executive:

Brian James Chin
23 Jamieson Way

Hillsborough, NJ 08844

If to Company:

Michael Sgro
Office of the General Counsel
American Water Works Service Company, Inc.
1 Water Street
Camden, NJ 08102

or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

b. Entire Agreement. This Agreement constitutes and contains the entire agreement and understanding concerning Executive's employment and termination thereof, and the other subject matters addressed herein between the parties, and supersedes and replaces all prior negotiations and all prior agreements proposed or otherwise, whether written or oral, concerning the subject matter hereof.

c. Modification. This Agreement can be modified only by a writing signed by both Executive and a duly authorized agent of the Company.

d. Assignment. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, executors, administrators, legal representatives, successors and assigns of the Company and Executive.

e. Interpretation of Agreement. If any provision of this Agreement or application thereof to anyone under any circumstances is adjudicated to be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect any other provision or application of this Agreement, which can be given effect without the invalid or unenforceable provision or application and shall not invalidate or render unenforceable such provision or application in any other jurisdiction.

f. Choice of Law and Forum. This Agreement shall be governed by the substantive law of the state of New Jersey without regard to its conflict of law rules. The Company and Executive consent to the exclusive jurisdiction of the courts of New Jersey to adjudicate any and all disputes arising between them and hereby waive any and all objections based on alleged lack of personal jurisdiction.

g. Counterparts and Electronic Signatures. This Agreement may be executed in counterpart, and may be executed by way of facsimile or electronic signature, and if so, shall be considered an original.

Severance Agreement and General Release
Between American Water And Brian James Chin

The Company and Executive have carefully read and understand all of the provisions of this Agreement. They enter into this Agreement freely, knowingly, and voluntarily. In entering into this Agreement neither the Company nor Executive is relying upon any representations or promises not expressly set forth in this Agreement. Intending to be legally bound to this Agreement, the Company's representative and Executive sign their names below.

/s/ Melanie Kennedy
Melanie Kennedy
Senior Vice President, Human Resources
American Water Works Service Company, Inc.

Dated: November 11, 2020

/s/ Brian James Chin
Brian James Chin

Dated: November 5, 2020

Exhibit 10.15

SEVERANCE AGREEMENT AND GENERAL RELEASE

This Severance Agreement and General Release ("Agreement") dated March 9, 2021, is between American Water Works Service Company, Inc. ("American Water" or the "Company") and Bruce A. Hauk ("Executive").

WHEREAS, Executive's employment with the Company will end on March 12, 2021 ("Separation Date");

WHEREAS, Executive and American Water have agreed to resolve all claims and potential claims which have been, or could have been, brought by Executive against American Water arising out of Executive's employment with American Water to date;

WHEREAS, Executive and American Water desire to document the terms of their agreement, with the parties agreeing that neither party admits wrongdoing, fault, or liability whatsoever, and that nothing herein shall be construed or interpreted as an admission of any wrongdoing, fault or liability of either party; and

NOW THEREFORE, in consideration of the mutual promises and releases contained herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Severance Benefits.** In return for the execution and non-revocation of the Agreement and the full performance by Executive of Executive's obligations described in this Agreement and Attachment A, American Water agrees to provide Executive with the following compensation and benefits ("Severance Benefits"):

    a. Severance. American Water shall pay Executive's current base salary beginning in April 2021 through March 2022, which will be paid on American Water's regular pay schedule ("Severance Payment") beginning the first regular pay day in April 2021. This amount will be subject to regular lawful withholdings and deductions.

    b. Group Health Insurance. If Executive participates in American Water's group health care plan on Executive's Separation Date and Employee timely elects continuing coverage through the federal Consolidated Omnibus Budget Reconciliation Act ("COBRA"), American Water shall pay both employee and employer portions of the costs associated with maintaining this coverage through COBRA for six (6) months. This coverage will be the same level of health, dental, and vision care that the Executive and his family received immediately prior to the Separation Date. This 6-month period will be retroactive to April 2021. Thereafter, Executive and any eligible dependents will be entitled to continue health care coverage at Executive's sole expense for the remaining balance of the COBRA coverage period. Executive's right to COBRA health care continuation will be set forth in a separate letter.

c. Relocation Costs. American Water will forever discharge Executive from any obligation that Employee may have to repay to American Water the accrued relocation costs as set forth in Executive's Relocation Services – Payback Agreement.

d. Employee Assistance Program. American Water will provide Executive six (6) months of continued access to the American Water Executive Assistance Program ("EAP") for Executive.

e. Outplacement Services. In lieu of providing Executive with twelve (12) months of outplacement services through a designated provider arranged by American Water, the Company will provide a lump sum payment in the amount of $12,000.00 to Executive. The Company will issue a Form 1099 to Executive for this payment.

2. **Accrued Benefits**. In addition to the amounts provided under Paragraph 2 of this Agreement, following the Separation Date, Executive will be entitled to receive all (i) accrued, but unpaid, base salary earned by Executive prior to the Separation Date, which will be paid to Executive on the first payroll date that follows the Separation Date, subject to any deferral agreement Executive previously entered into with the Company with respect to such base salary; (ii) any accrued, but unused, vacation as of the Separation Date, which will be paid to Executive on the first Company payroll date that follows the Separation Date; and (iii) any accrued or owing, but not yet paid, vested benefits under the Company's 401(k) plan, pension plan, nonqualified deferred compensation plan, post-employment retirement plan and any other plan in which Executive participated, which will be paid to Executive at the times provided under such plans. Any stock options, restricted stock units and performance stock unit grants that were granted to Executive under the Equity Plan that are outstanding and vested as of the Separation Date will be subject to the terms and conditions of the respective grant agreements covering such grants. Executive shall have ninety (90) days from the Separation Date to exercise any vested stock options granted to Employee pursuant to the Equity Plan. Executive understands and acknowledges that he shall not have any further rights with respect to equity grants under the Equity Plan except for any rights that vested prior to the Separation Date.

3. **Agreement Not to Compete or Solicit**. Attachment A sets forth Executive's non-competition and non-solicitation obligations. The Parties agree that Attachment A, and the provisions contained therein, are integrated into and are part of the Agreement.

4. **Conditions of Receipt**. Executive shall not be entitled to receive the Severance Benefits until (i) Executive signs this Agreement, (ii) the seven (7)-day Revocation Period referenced in Section 12(g) below expires without Executive having exercised Executive's right of revocation, (iii) all Company property has been returned in accordance with Section 6(d) below, and (iv) Executive signs letters of resignation on March 9, 2021 to resign from all areas of the Company, its affiliates, and accounts where Executive is as an officer, director, member, trustee, signatory, appointee, designee, or

authorized user. Such written resignation letters must be provided to the Chief Executive Officer by 5 p.m. EST on March 9, 2021.

5. **Reemployment/Reimbursement**. Executive and American Water understand that if Executive has separated from American Water, signed this Agreement and has been paid the Severance Payment outlined in Section 2(a) above, and subsequently is offered and accepts another position within the Company any time within one (1) year from the Separation Date, Executive will reimburse American Water for the Severance Payment that has been paid on a prorated basis. Executive agrees to arrange a severance repayment plan with the Company before beginning any subsequent employment with the Company. Executive will not be required to repay the Company for any other benefits described herein upon any such rehire.

6. **Confidentiality; Non-Disclosure; Return of Property, Disparaging Statements, References, Unemployment Compensation and Taxes.**

   a. Confidentiality. Executive understands and agrees that the terms and contents of this Agreement and Attachment A shall remain confidential by Executive or Executive's agents and representatives and shall not be disclosed, with the exception of: (1) members of Executive's immediate family, Executive's attorneys, accountants, tax or financial advisors, each of who shall be informed of this confidentiality obligation and shall agree to be bound by its terms; (2) to the Internal Revenue Service or state or local taxing authority; (3) as is expressly required or protected by law; (4) American Water press release or filing with the Securities and Exchange Commission; or any disclosures made by the Executive to pursuant to the whistleblower provisions in the Exchange Act (15 U.S.C. § 78u-6) and the Sarbanes Oxley Act of 2002 (18 U.S.C. § 1514A); and/or (5) in any action to challenge or enforce the terms of this Agreement, provided that such disclosure by an appropriate confidentiality order to the maximum extent permitted by applicable authority. Notwithstanding the foregoing, the Parties agree that Executive may provide a copy of Attachment A to a prospective employer for the sole purpose of informing the prospective employer of Executive's existing restrictive covenants and ensuring compliance thereof. Nothing contained in this Agreement or Attachment A shall preclude the Executive from initiating and/or cooperating fully with any governmental investigation.

   b. Non-Disclosure of Confidential Information and Trade Secrets. Executive acknowledges that as an Executive of American Water, Executive had access to and was entrusted with the Company's confidential and proprietary business information and trade secrets defined in Section 6(b)(i). At all times prior to, during, and following Executive's separation from employment with American Water, Executive represents that Executive has maintained and agrees that Executive will continue to maintain such information in strict confidence and has not disclosed, used, transferred or sold and will not disclose, use, transfer or sell (directly or indirectly) such information to any third party (except as may be

required by law or legal process) so long as such information or proprietary data remains confidential and has not been properly and lawfully disclosed or is not otherwise in the public domain. Executive further agrees that, at the Company's request, Executive will deliver and/or provide access to any personal computing device, telephone, hard disk, backup tapes, cloud systems, disks or thumb or flash drives for the Company's review and permit the Company to delete all confidential and proprietary business information and trade secrets contained on such devices.

i. Definition of "Confidential and Proprietary Business Information and Trade Secrets. For purposes of this Agreement and Attachment A, "confidential and proprietary business information and trade secrets" includes, but is not limited to, all information about markets, key personnel, operational methods, proprietary intellectual property, real property, plans for future developments, projects in the pipeline, bid information, manuals, books, training materials, forms and procedures, policies, customer or prospective customer lists, customer related data, marketing plans and strategies, financial information, documents relating to any of the foregoing, and other written and oral materials (whether computerized or on hard copy) which are related to the business of the Company and the confidentiality of which the Company attempts to maintain with reasonable efforts and which the Company has not released to the general public.

c. Notice of Immunity for Confidential Disclosure of a Trade Secret to an Attorney, the Government or in a Court Filing. Federal law provides certain protections to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances. Specifically, federal law provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret under either of the following conditions:

- Where the disclosure is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or

- Where the disclosure is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. 18 U.S.C. § 1833(b)(1).

Federal law also provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade

secret under seal; and (B) does not disclose the trade secret, except pursuant to court order. 18 U.S.C. § 1833(b)(2).

d. Return of Property. Executive shall immediately return to American Water (and shall not retain any copies of) any and all property of the Company in Executive's possession, including (without limitation) all papers, documents, business plans, project pipeline information, correspondence, office pass, keys, telephones, blackberry or other personal devices, credit cards, electronic or digitally stored information, and computer equipment.

e. Disparaging Statements. Executive agrees not to make any negative or disparaging written or oral statements concerning the name, business reputation, business practices, products, services, officers (to include the Chief Executive Officer, Chief Financial Officer, Chief Operational Officer and all other members of the Company's Executive Leadership Team), directors, employees and former employees of American Water or Releasees (as defined in Section 8(a) below). Nothing in this Agreement shall preclude Executive from communicating or testifying truthfully (i) to the extent required or protected by law, (ii) to any federal, state, or local governmental agency, (iii) in response to a subpoena to testify issued by a court of competent jurisdiction, or (iv) in any action to challenge or enforce the terms of this Agreement. Executive understands that this is a material provision of this Agreement. The Company agrees to instruct Walter Lynch, President and Chief Executive Officer, and Susan Hardwick, Chief Financial Officer, not to make any written or oral statements that disparage the reputation and/or good will of Executive and Mr. Lynch and Ms. Hardwick agree not to make any such statements.

f. Unemployment Compensation. American Water agrees not to oppose Executive's application for unemployment compensation benefits, if any. American Water shall, however, respond as necessary to any inquiries from any governmental agencies with respect to Executive's unemployment compensation claim.

g. References. Executive agrees that all requests for references from prospective employers will be directed solely to the attention of Melanie Kennedy, Senior Vice President, Human Resources, American Water Works Service Company, Inc., 1 Water Street, Camden, NJ 08102, Melanie.Kennedy@amwater.com. Upon any request for a reference, Ms. Kennedy will confirm solely Executive's dates of employment with American Water and positions Executive held with American Water.

h. Taxes. As required by law, the Company will issue the appropriate IRS Form(s) at the appropriate time. Any payments provided for herein shall be reduced by any amounts required to be withheld by the Company from time to time under applicable federal, state or local income or employment tax laws or similar statutes or other provisions of law then in effect. Executive agrees that (i)

Executive shall be solely responsible for all taxes, including, but not limited to, income and excise taxes, imposed on Executive because of amounts paid to Executive by the Company under this Agreement; (ii) Executive shall not seek reimbursement from the Company for such taxes; and (iii) Executive agrees to and does hereby indemnify and hold the Company harmless against any and all tax liability, interest, and/or penalties caused as a result of any action or inaction by Executive. It is the intention of the parties that compensation or benefits payable under this Agreement not be subject to the additional tax imposed pursuant to Section 409A of the Code. To the extent such potential payments or benefits could become subject to such Section, the parties shall cooperate to amend this Agreement with the goal of giving Executive the economic benefits described herein in a manner that does not result in such tax being imposed.

7. **Business Expenses and Compensation.** Executive acknowledges and agrees that (i) should Executive execute this Agreement, the amounts set forth in Sections 1 and 2 are in complete satisfaction of any and all compensation and benefits due to Executive from the Company, and that no further severance, bonuses, compensation, benefits or other amounts are owed or will be paid to Executive by the Company, (ii) Executive has been reimbursed by American Water for all business expenses incurred in conjunction with the performance of Executive's employment and that no other reimbursements are owed to Executive.

8. **General Release of Legal Claims by Executive.**

a. Executive, on behalf of Executive, and Executive's heirs, executors, administrators, and/or assigns, does hereby releases and forever discharges American Water, together with its parents, subsidiaries, affiliates, predecessors, and successor corporations and business entities, past, present and future, and its and their agents, directors, officers, partners, employees, shareholders, insurers and reinsurers, and employee benefit plans (and the trustees, administrators, fiduciaries, insurers, and reinsurers of such plans) past, present and future, and their heirs, executors, administrators, predecessors, successors, and assigns (collectively, the "Releasees"), of and from any and all legally waivable claims, causes of actions, suits, lawsuits, debts, and demands whatsoever in law or in equity, known or unknown, suspected or unsuspected, which Executive ever had, now has or which Executive's executors administrators, or assigns hereafter may have from the beginning of time to the date Executive executes this Agreement, and including, without limitation, any claims arising from or relating to Executive's employment relationship with American Water, and the termination of such relationship, including, without limitation, any claims arising under Title VII of the Civil Rights Act of 1964 ("Title VII"), the Americans with Disabilities Act ("ADA"), the Executive Retirement Income Security Act ("ERISA"), the Family and Medical Leave Act ("FMLA"), the Age Discrimination in Employment Act of 1967 ("ADEA"), the Older Workers Benefit Protection Act ("OWBPA"), the New Jersey Law Against Discrimination ("NJLAD"), the

Conscientious Executive Protection Act ("CEPA"), the New Jersey Family Leave Act, the New Jersey Millville Dallas Airmotive Plant Job Loss Notification Act, the New Jersey Equal Pay Act, the New Jersey Wage and Hour Law, the New Jersey Wage Payment Act, the New Jersey Constitution, the Illinois Human Rights Act, the Illinois Equal Pay laws, the Illinois School Visitation Rights Act, the Illinois Right to Privacy in the Workplace law, the Illinois Genetic Information Privacy Act, the Illinois Reference Immunity law, the Illinois Workplace Transparency Act, the Illinois Whistle Blower Act, the Illinois Arrest Records law, the Illinois Surveillance of Employees law, the Illinois Breastfeeding Rights law, the Illinois Family Military Leave Act, the Illinois Blood Donation Leave Act, the Illinois Constitution, the common law of the State of Illinois and any and all other federal, state, or local constitutional, statutory, regulatory, or common law causes of action now or hereafter recognized, and any claims for attorneys' fees and costs. Nothing in this Agreement shall waive rights or claims that arise after the date that Executive executes this Agreement.

b. Notwithstanding the broad scope of Section 8(a), this Agreement is not intended to bar any claims that, as a matter of applicable law, whether by statute or otherwise, cannot be waived, such as claims for workers' compensation benefits, unemployment insurance benefits, and any claims that arise after the date that the Executive executes this Agreement. Nothing in this Agreement is intended to interfere with, prevent or prohibit Executive from filing a claim with a federal, state or local government agency that is responsible for enforcing a law on behalf of the government, such as the Equal Employment Opportunity Commission ("EEOC") (including a challenge to the validity of this Agreement), Department of Labor ("DOL"), Securities and Exchange Commission ("SEC") or National Labor Relations Board ("NLRB"). Nor should anything in this Agreement be read to deter or prevent Executive from cooperating with or providing information to such a governmental agency during the course of its investigation or during litigation. However, Executive understands and agrees that, that except for claims brought pursuant to the SEC's Whistleblower Program (15 U.S.C. § 78u-6 and 18 U.S.C. § 1514A), Executive may not recover any monetary benefit or individualized relief as a result of any such claim brought on Executive's behalf.

9. **Company Release of Executive**. The Company, for itself and its parents, subsidiaries, predecessors, successors and affiliated companies or entities, and all of its and their past and present officers, directors, employees, partners, shareholders, agents, assigns, insurers and reinsurers, and employee benefit plans, waives and releases any and all claims against Executive, whether or not now known to the Company, arising from or relating to any and all acts, events, and omissions occurring prior to the date the Company signs this Agreement. Notwithstanding the foregoing sentence, the Company does not waive or release any claims against Executive for unlawful or grossly negligent actions or conduct that were not known by the Company prior to the date the Company signs this Agreement.

10. **Cooperation.** Executive agrees that Executive shall cooperate with the Company in the prosecution or defense of any claim currently pending or hereinafter pursued against the Company without the payment of any additional compensation other than as set forth in this Agreement,. Such cooperation encompasses Executive's assistance with matters preliminary to the instigation of any legal proceeding and assistance during and throughout any litigation or legal proceeding, including, but not limited to, participating in any fact-finding or investigation, speaking with the Company's attorneys, preparing for (with the Company's attorneys) and testifying at depositions, testifying at hearings or at trial, and assisting with any post-litigation matter or appeal. Upon receipt of appropriate supporting documentation, American Water shall reimburse Executive for all of Executive's approved and reasonable costs and expenses incurred in connection with such cooperation. In the case of legal proceedings involving American Water, to the extent permissible by law, Executive will notify, in writing, the individual then holding the office of General Counsel, American Water Works Service Company, Inc., 1 Water Street, Camden, NJ 08102, of any subpoena or other similar notice to give testimony or provide documentation within two (2) business days of receipt of the same and prior to providing any response thereto. Nothing in this Agreement or Attachment A shall preclude Executive from participating in and fully cooperating with any governmental investigation and nothing herein shall be construed as suggesting or implying in any way that Employee should ever testify untruthfully.

11. **Indemnification**. The Company will defend, indemnify and hold Executive harmless with respect to any claims, penalties, fines or other damages that may be asserted or levied against Executive with respect to any matters relating to his employment with any American Water entity, to the extent he acted within the scope of his employment and his actions were not in violation of any law, regulation or the like.

12. **Acknowledgements**. Executive hereby certifies and acknowledges that:

    a. Executive has read the terms of this Agreement and that Executive understands its terms and effects, including the fact that Executive has agreed to **REMISE, RELEASE, AND FOREVER DISCHARGE** Releasees from all claims set forth in Section 8(a);

    b. Executive is receiving consideration which is in addition to anything of value to which Executive otherwise would have been entitled had Executive not executed this Agreement, which includes Attachment A;

    c. Executive enters into this Agreement, inclusive of Attachment A, knowingly and voluntarily without any coercion on the part of any person or entity;

    d. Executive was given adequate time to consider all implications and to freely and fully consult with and seek the advice of whomever Executive deemed appropriate;

e. Executive was advised in writing, by way of this Agreement, to consult an attorney before signing this Agreement;

f. Executive has been given twenty-one (21) calendar days within which to consider this Agreement, inclusive of Attachment A, before signing it ("Consideration Period") and, in the event that Executive signs this Agreement and returns it back to the Company in accordance with the Notice provision below during this Consideration Period, said signing constitutes a knowing and voluntary waiver of this Consideration Period. Executive further understands that any non-material changes to this Agreement do not restart the Consideration Period;

g. Executive shall have the right to revoke this Agreement within seven (7) calendar days after signing it (the "Revocation Period"). If the seventh day is a weekend or national holiday, Executive has until the next business day to revoke. If Executive elects to revoke this Agreement, Executive shall notify Melanie Kennedy, Senior Vice President, Human Resources, American Water Works Service Company, Inc., 1 Water Street, Camden, NJ 08102, Melanie.Kennedy@amwater.com in writing of Executive's revocation. Unless revoked within this period, this Agreement will become irrevocable on the eighth day after it is signed; and

h. Executive does not waive rights or claims that may arise after the date this Agreement is executed.

13. **General Terms.**

a. Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the recipient, two (2) business days after the date when sent to the recipient by reputable express courier service (charges prepaid) or four (4) business days after the date when mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid. Such notices, demands and other communications shall be sent to Executive and to the Company at the addresses set forth below:

If to Executive:

Bruce Hauk
3312 Hershiser Court
Edwardsville, IL 62025

If to Company:

Michael Sgro
Office of the General Counsel
American Water Works Service Company, Inc.

1 Water Street
Camden, NJ 08102

or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

b. Entire Agreement. This Agreement, inclusive of Attachment A, constitutes and contains the entire agreement and understanding concerning Executive's employment and termination thereof, and the other subject matters addressed herein between the parties, and supersedes and replaces all prior negotiations and all prior agreements proposed or otherwise, whether written or oral, concerning the subject matter hereof.

c. Modification. This Agreement and Attachment A can be modified only by a writing signed by both Executive and a duly authorized agent of the Company.

d. Assignment. All of the terms and provisions of this Agreement, inclusive of Attachment A, shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, executors, administrators, legal representatives, successors and assigns of the Company and Executive.

e. Interpretation of Agreement. If any provision of this Agreement, inclusive of Attachment A, or application thereof to anyone under any circumstances is adjudicated to be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect any other provision or application of this Agreement, including Attachment A, which can be given effect without the invalid or unenforceable provision or application and shall not invalidate or render unenforceable such provision or application in any other jurisdiction.

f. Choice of Law and Forum. This Agreement and Attachment A shall be governed by the substantive law of the state of New Jersey without regard to its conflict of law rules. The Company and Executive consent to the exclusive jurisdiction of the courts of New Jersey to adjudicate any and all disputes arising between them and hereby waive any and all objections based on alleged lack of personal jurisdiction.

g. Counterparts and Electronic Signatures. This Agreement may be executed in counterpart, and may be executed by way of facsimile or electronic signature, and if so, shall be considered an original.

Severance Agreement and General Release
Between American Water And Bruce Hauk

The Company and Executive have carefully read and understand all of the provisions of this Agreement and Attachment A. They enter into this Agreement, inclusive of Attachment A, freely, knowingly, and voluntarily. In entering into this Agreement, inclusive of Attachment A, neither the Company nor Executive is relying upon any representations or promises not expressly set forth in this Agreement or Attachment A. Intending to be legally bound to this Agreement, inclusive of Attachment A, the Company's representative and Executive sign their names below.

_/s/ Melanie Kennedy_____
Melanie Kennedy
Senior Vice President, Human Resources
American Water Works Service Company, Inc.
Dated: _3/8_____, 2021

_/s/ Bruce A. Hauk_____
Bruce A. Hauk
Dated: _3/5_____, 2021

ATTACHMENT A

In consideration of the promises made in the Severance Agreement and General Release entered into between Bruce A. Hauk ("Executive") and American Water Works Service Company, Inc. ("Company"), Executive agrees that for a period of twelve (12) months following the Separation Date, Executive will not directly or indirectly:

A. Engage any duties for a Competitive Business with respect to any business development opportunity, in either the Company's regulated or market-based business anywhere in the United States, that is in the Company's pipeline, as of the date Executive executes the Agreement, of which Executive is aware or has been made aware through information received in any business planning session, business performance reviews, growth calls, commercial development committees, or any other manner. Executive agrees that he will not perform such duties either for Executive or any other person or any other business entity or organization that is engaged in any business or enterprise that is competitive with the Company's business ("Competitive Businesses"). The Company has identified the following companies as Competitive Businesses: Algonquin/Liberty, Aqua, and Corix.

"Engaging in" on Executive's part shall include the following activities: engaging in, working with, having an interest or concern in, advising, or permitting one's name to be used in connection with, an enterprise or endeavor, either individually, in partnership or in conjunction with any person or persons, firms, associations, companies or corporations, whether as a principal, agent, shareholder, employee, officer, director, partner, consultant or in any manner whatsoever (it is being understood that Executive will retain the right to invest in or have an interest in entities traded on any public market or offered by any national brokerage house, provided that such interest does not exceed 1% of the voting control of that entity); or

Either alone or in association with others solicit, or permit any organization directly or indirectly controlled by Executive to solicit, any employee or executive of the Company to leave the employ of the Company, or solicit for employment, hire or engage as an independent contractor, or permit any organization directly or indirectly controlled by Executive to solicit for employment, hire or engage as an independent contractor, any person who was employed by the Company at the time of the termination or cessation of Executive's employment with the Company; provided that this clause shall not apply to the solicitation, hiring or engagement of any individual whose employment with the Company has been terminated for a period of six (6) months or longer at the time of such solicitation, hiring or employment.

1. Extension of Restrictions. If Executive violates the provisions of Section A, the twelve (12) month period referred to in this Section A shall recommence and the Executive shall continue to be bound by the

restrictions set forth in Section A until a period of twelve (12) months has expired without any violation of such provisions.

B. Either alone or in association with others call on, solicit, or permit any organization directly or indirectly controlled by Executive to call on or solicit, in any manner, any client of the Company. "Client" shall mean any corporation, partnership, association, United States military base, or United States or foreign governmental entity that has or had an account or contract with the Company or any of its subsidiaries or parent during Executive's employment or on the date of termination from Executive's employment regardless of whether Executive has directly worked with such client.

1. Extension of Restrictions. If Executive violates the provisions of Section B, the twelve (12) month period referred to in this Section B shall recommence and Executive shall continue to be bound by the restrictions set forth in Section B until a period of twelve (12) months has expired without any violation of such provisions.

C. Interpretation. If any restrictions set forth in Sections A-B are found by any court of competent jurisdiction to be overbroad, such restriction shall be enforceable to the maximum extend permissible by law.

D. Equitable Remedies. The restrictions contained in this Attachment A are necessary for the protection of the business and good will of the Company and are considered by Executive to be reasonable for such purpose. Executive agrees that any breach of Attachment A is likely to cause the Company substantial and irrevocable damage which is difficult to measure. Therefore, in the event of any such breach or threatened breach, Executive agrees that the Company shall be entitled to preliminary and permanent injunctive relief, without the necessity of a bond or other security and without proving actual damages, as well as to an equitable accounting of all earnings, profits and other benefits arising from any violations of Attachment A, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled, including but not limited to liquidated and punitive damages. Executive further agrees that the Company shall be entitled to its reasonable fees and costs if a court of competent jurisdiction issues a preliminary or permanent injunction against the Executive or a court of competent jurisdiction finds that Executive breached the terms of the Attachment A.

E. Expiration of Post-Employment Restrictions. The post-employment restrictions contained herein shall expire, and this Exhibit A shall be null and void, 12 months after the Separation Date, provided these restrictions are not extend as set forth in Paragraphs A(1) and B(1) above.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, Walter J. Lynch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2021

By: /s/ WALTER J. LYNCH

Walter J. Lynch
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2021

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Walter J. Lynch, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ WALTER J. LYNCH

Walter J. Lynch
President and Chief Executive Officer
(Principal Executive Officer)
May 3, 2021

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
May 3, 2021

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of October 27, 2021
Common Stock, par value $0.01 per share	**181,537,748**

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* * *

Throughout this Quarterly Report on Form 10-Q ("Form 10-Q"), unless the context otherwise requires, references to the "Company" and "American Water" mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the "parent company" mean American Water Works Company, Inc., without its subsidiaries.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company's future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company's growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability to complete the announced sales of the Company's New York subsidiary and its Homeowner Services Group ("HOS") (including the ability to obtain required regulatory approvals and required consents), the accounting, financial and other impacts of each of these transactions (including impacts on the Company's current and short- and long-term expectations, guidance and plans with respect to its current and future debt and equity capital needs, capital expenditures, dividends, earnings, earnings per share, growth, future regulatory outcomes, rate base growth, and other financial and operational plans), the amount and timing of proceeds anticipated to be received therefrom, and the ability to achieve the Company's regulatory and other strategies, benefits, plans and goals related to the transactions; the ability of the Company's California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River and to comply with certain regulatory orders and interpretations thereof with respect to such diversions; the amount and allocation of projected capital expenditures and related funding requirements; the Company's ability to repay or refinance debt; the ability to execute its current and long-term business, operational and capital expenditures strategies; its ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory investigations and proceedings and related potential fines, penalties and other sanctions; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the pandemic health event resulting from COVID-19; the ability to capitalize on existing or future utility privatization opportunities; trends in the industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company's actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors;
- changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, consumer and data privacy, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;

- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain adequate and cost-effective supplies of equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials;
- the Company's ability to successfully meet growth projections for the Regulated Businesses and the Market-Based Businesses (each as defined in this Form 10-Q), either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
  - acquiring, closing and successfully integrating regulated operations and market-based businesses;
  - entering into contracts and other agreements with, or otherwise obtaining, new customers or partnerships in the Market-Based Businesses; and
  - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties associated with the Company's potential sale of HOS, including:
  - the ability to obtain the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act")), and other required consents, and to make timely all required closing deliveries;
  - closing and post-closing adjustments to the consideration to be received in the transaction, as well as the tax impacts thereof;
  - the Company's ability to receive any contingent consideration provided for in the transaction, as well as amounts due, payable and owing to the Company from time to time under the seller note to be issued pursuant thereto;
  - the ability to redeploy successfully and timely the net proceeds of the transaction into the Company's Regulated Businesses;
  - unexpected costs, liabilities or delays associated with this transaction; and
  - regulatory, legislative, local or municipal actions affecting the home warranty services and the water and wastewater industries;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic health event;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in interest rates;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the Tax Cuts and Jobs Act of 2017 (the "TCJA"), (iii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs, and (iv) the Company's ability to utilize its U.S. federal and state income tax net operating loss carryforwards;
- migration of customers into or out of the Company's service territories;

- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company's goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract qualified employees;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	September 30, 2021	December 31, 2020
ASSETS		
Property, plant and equipment	$ 26,877	$ 25,614
Accumulated depreciation	(6,292)	(5,904)
Property, plant and equipment, net	20,585	19,710
Current assets:		
Cash and cash equivalents	70	547
Restricted funds	30	29
Accounts receivable, net of allowance for uncollectible accounts of $76 and $60, respectively	348	321
Unbilled revenues	249	206
Materials and supplies	53	47
Assets held for sale	678	629
Other	162	127
Total current assets	1,590	1,906
Regulatory and other long-term assets:		
Regulatory assets	1,128	1,127
Operating lease right-of-use assets	95	95
Goodwill	1,511	1,504
Postretirement benefit assets	175	173
Intangible assets	47	55
Other	202	196
Total regulatory and other long-term assets	3,158	3,150
Total assets	$ 25,333	$ 24,766

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets (Unaudited)
(In millions, except share and per share data)

	September 30, 2021	December 31, 2020
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 186,795,975 and 186,466,707 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,772	6,747
Retained earnings	500	102
Accumulated other comprehensive loss	(45)	(49)
Treasury stock, at cost (5,260,279 and 5,168,215 shares, respectively)	(363)	(348)
Total common shareholders' equity	6,866	6,454
Long-term debt	10,349	9,329
Redeemable preferred stock at redemption value	3	4
Total long-term debt	10,352	9,333
Total capitalization	17,218	15,787
Current liabilities:		
Short-term debt	684	1,282
Current portion of long-term debt	48	329
Accounts payable	175	189
Accrued liabilities	520	591
Accrued taxes	73	50
Accrued interest	103	88
Liabilities related to assets held for sale	78	137
Other	163	215
Total current liabilities	1,844	2,881
Regulatory and other long-term liabilities:		
Advances for construction	284	270
Deferred income taxes and investment tax credits	2,285	2,113
Regulatory liabilities	1,660	1,770
Operating lease liabilities	81	81
Accrued pension expense	346	388
Other	180	83
Total regulatory and other long-term liabilities	4,836	4,705
Contributions in aid of construction	1,435	1,393
Commitments and contingencies (See Note 12)		
Total capitalization and liabilities	$ 25,333	$ 24,766

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations (Unaudited)
(In millions, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating revenues	$ 1,092	$ 1,079	$ 2,979	$ 2,854
Operating expenses:				
Operation and maintenance	436	419	1,286	1,193
Depreciation and amortization	161	154	476	451
General taxes	78	73	241	225
Total operating expenses, net	675	646	2,003	1,869
Operating income	417	433	976	985
Other income (expense):				
Interest, net	(101)	(99)	(300)	(296)
Non-operating benefit costs, net	20	12	59	37
Other, net	4	6	11	17
Total other (expense) income	(77)	(81)	(230)	(242)
Income before income taxes	340	352	746	743
Provision for income taxes	62	88	128	179
Net income attributable to common shareholders	$ 278	$ 264	$ 618	$ 564
Basic earnings per share: (a)				
Net income attributable to common shareholders	$ 1.53	$ 1.46	$ 3.40	$ 3.11
Diluted earnings per share: (a)				
Net income attributable to common shareholders	$ 1.53	$ 1.46	$ 3.40	$ 3.11
Weighted-average common shares outstanding:				
Basic	182	181	182	181
Diluted	182	182	182	181

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income attributable to common shareholders	$ 278	$ 264	$ 618	$ 564
Other comprehensive income (loss), net of tax:				
Defined benefit pension plan actuarial loss, net of tax of $0 and $1 for the three months ended September 30, 2021 and 2020, respectively and $1 and $1 for the nine months ended September 30, 2021 and 2020, respectively	1	1	3	2
Unrealized gain (loss) on cash flow hedges, net of tax of $0 and $0 for the three months ended September 30, 2021 and 2020, respectively and $0 and $(1) for the nine months ended September 30, 2021 and 2020, respectively	—	—	1	(4)
Net other comprehensive income (loss)	1	1	4	(2)
Comprehensive income attributable to common shareholders	$ 279	$ 265	$ 622	$ 562

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Nine Months Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 618	$ 564
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	476	451
Deferred income taxes and amortization of investment tax credits	121	174
Provision for losses on accounts receivable	28	22
Pension and non-pension postretirement benefits	(31)	(10)
Other non-cash, net	(34)	(37)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(103)	(121)
Pension and postretirement benefit contributions	(31)	(31)
Accounts payable and accrued liabilities	28	(17)
Other assets and liabilities, net	(43)	(7)
Net cash provided by operating activities	1,029	988
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,205)	(1,314)
Acquisitions, net of cash acquired	(78)	(59)
Proceeds from sale of assets	—	2
Removal costs from property, plant and equipment retirements, net	(70)	(75)
Net cash used in investing activities	(1,353)	(1,446)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	1,113	1,250
Repayments of long-term debt	(370)	(266)
(Repayments of) proceeds from term loan	(500)	500
Net short-term borrowings with maturities less than three months	(97)	(242)
Proceeds from issuances of employee stock plans and direct stock purchase plan, net of taxes paid of $15 and $17 for the nine months ended September 30, 2021 and 2020, respectively	(4)	6
Advances and contributions for construction, net of refunds of $17 and $20 for the nine months ended September 30, 2021 and 2020, respectively	50	20
Debt issuance costs and make-whole premium on early debt redemption	(26)	(12)
Dividends paid	(318)	(290)
Net cash (used in) provided by financing activities	(152)	966
Net (decrease) increase in cash, cash equivalents and restricted funds	(476)	508
Cash, cash equivalents and restricted funds at beginning of period	576	91
Cash, cash equivalents and restricted funds at end of period	$ 100	$ 599
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	$ 238	$ 236

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock					Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	
Balance as of December 31, 2020	186.5	$ 2	$ 6,747	$ 102	$ (49)	(5.2)	$ (348)	$ 6,454
Net income attributable to common shareholders	—	—	—	133	—	—	—	133
Common stock issuances (a)	0.2	—	10	—	—	(0.1)	(15)	(5)
Net other comprehensive loss	—	—	—	—	1	—	—	1
Balance as of March 31, 2021	186.7	$ 2	$ 6,757	$ 235	$ (48)	(5.3)	$ (363)	$ 6,583
Net income attributable to common shareholders	—	—	—	207	—	—	—	207
Common stock issuances (a)	0.1	—	8	—	—	—	—	8
Net other comprehensive loss	—	—	—	—	2	—	—	2
Dividends ($0.6025 declared per common share)	—	—	—	(110)	—	—	—	(110)
Balance as of June 30, 2021	186.8	$ 2	$ 6,765	$ 332	$ (46)	(5.3)	$ (363)	$ 6,690
Net income attributable to common shareholders	—	—	—	278	—	—	—	278
Common stock issuances (a)	—	—	7	—	—	—	—	7
Net other comprehensive loss	—	—	—	—	1	—	—	1
Dividends ($0.6025 declared per common share)	—	—	—	(110)	—	—	—	(110)
Balance as of September 30, 2021	186.8	$ 2	$ 6,772	$ 500	$ (45)	(5.3)	$ (363)	$ 6,866

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

	Common Stock					Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Shares	At Cost	
Balance as of December 31, 2019	185.9	$ 2	$ 6,700	$ (207)	$ (36)	(5.1)	$ (338)	$ 6,121
Net income attributable to common shareholders	—	—	—	124	—	—	—	124
Common stock issuances (a)	0.3	—	13	—	—	(0.1)	(10)	3
Net other comprehensive loss	—	—	—	—	(5)	—	—	(5)
Balance as of March 31, 2020	186.2	$ 2	$ 6,713	$ (83)	$ (41)	(5.2)	$ (348)	$ 6,243
Net income attributable to common shareholders	—	—	—	176	—	—	—	176
Common stock issuances (a)	0.2	—	17	—	—	—	—	17
Net other comprehensive loss	—	—	—	—	2	—	—	2
Dividends ($0.55 declared per common share)	—	—	—	(100)	—	—	—	(100)
Balance as of June 30, 2020	186.4	$ 2	$ 6,730	$ (7)	$ (39)	(5.2)	$ (348)	$ 6,338
Net income attributable to common shareholders	—	—	—	264	—	—	—	264
Common stock issuances (a)	—	—	9	—	—	—	—	9
Net other comprehensive loss	—	—	—	—	1	—	—	1
Dividends ($0.55 declared per common share)	—	—	—	(100)	—	—	—	(100)
Balance as of September 30, 2020	186.4	$ 2	$ 6,739	$ 157	$ (38)	(5.2)	$ (348)	$ 6,512

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the "Company" or "American Water"), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q ("Form 10-Q"). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of September 30, 2021, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2020 ("Form 10-K"), which provides a more complete discussion of the Company's accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company's operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2021:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Facilitation of the Effects of Reference Rate Reform on Financial Reporting	Provided optional guidance for a limited time to ease the potential accounting burden associated with the transition from London Interbank Offered Rate ("LIBOR"). The guidance contains optional expedients and exceptions for contract modifications, hedging relationships, and other transactions that reference LIBOR or other reference rates expected to be discontinued. The expedients elected must be applied for all eligible contracts or transactions, with the exception of hedging relationships, which can be applied on an individual basis.	March 12, 2020 through December 31, 2022	Prospective for contract modifications and hedging relationships; applied as of January 1, 2020.	The standard did not have a material impact on the Consolidated Financial Statements.
Simplifying the Accounting for Income Taxes	The guidance removes exceptions related to the incremental approach for intraperiod tax allocation, the requirement to recognize a deferred tax liability for changes in ownership of a foreign subsidiary or equity method investment, and the general methodology for calculating income taxes in an interim period when the year-to-date loss exceeds the anticipated loss. The guidance adds requirements to reflect changes to tax laws or rates in the annual effective tax rate computation in the interim period in which the changes were enacted, to recognize franchise or other similar taxes that are partially based on income as an income-based tax and any incremental amounts as non-income-based tax, and to evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction.	January 1, 2021	Modified retrospective for amendments related to changes in ownership of a foreign subsidiary or equity method investment; modified retrospective or retrospective for amendments related to taxes partially based on income; prospective for all other amendments.	The standard did not have a material impact on the Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of September 30, 2021:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022; early adoption is not permitted before fiscal years beginning after December 15, 2020	Either modified retrospective or fully retrospective.	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	Enhances the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the recognition of an acquired contract liability, and payment terms and their effect on subsequent revenue recognized by the acquirer.	January 1, 2023; early adoption permitted	Prospective to business combinations occurring on or after the effective date of the amendments	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Cash, Cash Equivalents and Restricted Funds

Presented in the table below is a reconciliation of the cash and cash equivalents and restricted funds amounts as presented on the Consolidated Balance Sheets to the sum of such amounts presented on the Consolidated Statements of Cash Flows for the periods ended September 30:

	2021	2020
Cash and cash equivalents (a)	$ 70	$ 560
Restricted funds	30	39
Cash, cash equivalents and restricted funds as presented on the Consolidated Statements of Cash Flows	$ 100	$ 599

(a) The majority of the change in the cash and cash equivalents balance is due to the repayment, at maturity, of the $500 million in outstanding principal under the Term Loan Facility (as defined below). See Note 9—Short-Term Debt for additional information.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. An increase in the allowance for uncollectible accounts for the period ending September 30, 2021 reflects the impacts from the COVID-19 pandemic, including an increase in uncollectible accounts expense and a reduction in amounts written off due to shutoff moratoria in place in certain of the Company's subsidiaries.

Presented in the table below are the changes in the allowance for uncollectible accounts for the nine months ended September 30:

	2021	2020
Balance as of January 1	$ (60)	$ (41)
Amounts charged to expense	(28)	(22)
Amounts written off	7	9
Less: Allowance for uncollectible accounts included in assets held for sale (a)	5	2
Balance as of September 30	$ (76)	$ (52)

(a) This portion of the allowance for uncollectible accounts is related to the pending transactions contemplated by the Stock Purchase Agreement among the Company, the Company's New York subsidiary and Liberty (as defined below), and is included in assets held for sale on the Consolidated Balance Sheets. See Note 6—Acquisitions and Divestitures for additional information.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Impact of the COVID-19 Pandemic

American Water continues to monitor the COVID-19 pandemic and has experienced financial impacts since the start of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental operation and maintenance ("O&M") expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as "financial impacts."

As of November 2, 2021, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 14 jurisdictions, with proceedings in New York and Tennessee pending. One jurisdiction, Kentucky, issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California's Catastrophic Event Memorandum Account allows the Company's California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO
Proceedings pending	Pending proceedings considering deferred accounting authorization for the future recovery of COVID-19 financial impacts.	NY, TN

The Company's Pennsylvania subsidiary filed for a request with the Pennsylvania Public Utility Commission (the "PaPUC") to defer as a regulatory asset all identified COVID-19 financial impacts. On September 15, 2021, the PaPUC issued an order approving the request to defer, with carrying costs, incremental uncollectible expense and other incremental costs net of savings attributed to the COVID-19 pandemic. The PaPUC order denied the request to include lost revenues attributed to the waiver of late fees and reconnect fees and expenses associated with additional interest costs. Additionally, the PaPUC order approved the request to allow for the continuation of the deferral of financial impacts, rejecting proposals from the intervening parties to define an end date to the deferral in 2021. As a result of the order discussed above, the Company recorded a net $7 million reduction to its regulatory assets and corresponding impacts to revenue, interest expense and uncollectible expense during the third quarter of 2021. The Company continues to evaluate options within its next base rate case to address these denied items and the resulting financial impact.

On July 28, 2021, the Company's Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General, which reflected agreement on the deferral of COVID-19-related financial impacts through April 30, 2021. On August 9, 2021, the Tennessee Public Utility Commission denied the stipulation and settlement agreement and moved to address the Company's Tennessee subsidiary's petition to defer the COVID-19 financial impacts in a future hearing. On August 26, 2021, the Company's Tennessee subsidiary filed a motion to withdraw its pending petition, preserving its right to seek recovery of the COVID-19 financial impacts in a future proceeding.

Consistent with these regulatory orders, the Company has recorded $39 million in regulatory assets and $6 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of September 30, 2021.

As of November 2, 2021, three states continue moratoria on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in 11 states.

Note 4: Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of excess accumulated deferred income tax ("EADIT") that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the current period:

	During the Three Months Ended September 30,		During the Nine Months Ended September 30,	
(In millions)	**2021**	**2020**	**2021**	**2020**
General rate cases by state:				
Missouri (effective May 28, 2021)	$ —	$ —	$ 22	$ —
New York (effective May 1, 2021)	—	—	7	—
Pennsylvania (effective January 28, 2021)	—	—	70	—
Indiana (effective May 1, 2020)	—	—	—	13
California (effective January 1, 2020)	—	—	—	5
Total general rate cases	$ —	$ —	$ 99	$ 18
Infrastructure surcharges by state:				
Kentucky (effective July 1, 2021 and July 1, 2020)	$ 1	$ 1	$ 1	$ 1
New Jersey (effective June 28, 2021, June 29, 2020 and January 1, 2020)	—	—	14	20
Indiana (effective March 17, 2021)	—	—	8	—
Pennsylvania (effective January 1, 2021, July 1, 2020, April 1, 2020 and January 1, 2020)	—	4	8	19
Illinois (effective January 1, 2021 and January 1, 2020)	—	—	7	7
West Virginia (effective January 1, 2021 and January 1, 2020)	—	—	5	3
Tennessee (effective January 1, 2021 and January 1, 2020)	—	—	3	2
Missouri (effective June 27, 2020)	—	—	—	10
Total infrastructure surcharges	$ 1	$ 5	$ 46	$ 62

Effective October 7, 2021, the Company's Missouri subsidiary implemented infrastructure surcharges for annualized incremental revenues of $7 million.

On August 28, 2020, the Company's Iowa subsidiary filed a general rate case requesting $3 million in annualized incremental revenues. An order was issued on June 28, 2021 authorizing an increase of $1 million. On July 9, 2021, the Company's Iowa subsidiary filed a Motion for Clarification with respect to the required accelerated flow back of unprotected EADIT over a three-year period to recognize the increase to rate base and incremental revenues as the unprotected EADIT is amortized. On September 21, 2021, that motion was denied. The Company's Iowa subsidiary filed tariffs consistent with the order on September 23, 2021. Effective October 11, 2021, the Iowa Utilities Board approved the tariffs and implemented the new rates.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of $22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The EADIT reduction in revenues is $25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of $72 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of $74 million is being returned to customers over 10 years. The $25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of $13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. A scheduling order was issued on October 18, 2021 establishing a briefing schedule through January 2022. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is $19 million. The overall increase, net of TCJA reductions, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On August 18, 2021, the Company's Hawaii subsidiary filed a general rate case requesting $2 million in additional annualized revenues.

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting $32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is $1 million and the exclusion for infrastructure surcharges is $10 million. Intervenor testimony was received on September 20, 2021. The Company's rebuttal testimony was filed on October 5, 2021. Hearings are scheduled to start November 3, 2021.

On July 1, 2019, the Company's California subsidiary filed a general rate case requesting $29 million in annualized incremental revenues for 2021, and increases of $10 million and $11 million in the escalation year of 2022 and the attrition year of 2023, respectively. On October 11, 2019, the Company filed its 100-day update for the same proceeding and updated the request to $27 million in annualized incremental revenues for 2021, and increases of $10 million in both the escalation year of 2022 and the attrition year of 2023, respectively. On September 10, 2020, the California Public Utilities Commission (the "CPUC") approved the Company's California subsidiary's motion for interim rates, establishing a memorandum account to track the difference between interim and final rates adopted by the CPUC in this proceeding, which were effective on January 1, 2021. Following settlement discussions among all parties to the proceeding, on January 22, 2021, January 25, 2021, and February 11, 2021, the Company's California subsidiary filed with the CPUC comprehensive settlements entered into among the Company's California subsidiary, the Public Advocates Office, and other intervenors. These settlement agreements resolved all matters in dispute among the parties to the settlements, with the exception of a few disputed items between the Company's California subsidiary and the Monterey Peninsula Water Management District (the "MPWMD"). On October 19, 2021, the CPUC issued a proposed decision in the general rate case proceeding for rates effective January 1, 2021. With minor exceptions, the proposed decision would adopt the comprehensive settlements reached with the Public Advocates Office, and other intervenors. Comments on the proposed decision are due November 8, 2021 and reply comments are due November 15, 2021. The earliest the decision could be adopted is November 18, 2021 at the CPUC's voting meeting. The Company expects a final decision by December 31, 2021.

On January 5, 2021, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain the authorized cost of capital through 2022. On February 22, 2021, the CPUC denied the request to further delay the cost of capital filing. The Company's California subsidiary submitted its cost of capital application on May 3, 2021. Once approved by the CPUC, the new authorized cost of capital will be effective January 1, 2022.

Pending Infrastructure Surcharge Filings

On September 3, 2021, the Company's Missouri subsidiary filed for an infrastructure surcharge requesting $11 million in additional annualized revenues.

On June 30, 2021, the Company's West Virginia subsidiary filed for an infrastructure surcharge requesting $3 million in additional annualized revenues.

Note 5: Revenue Recognition

Disaggregated Revenues

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company also operates market-based businesses that provide water, wastewater and other services to residential and smaller commercial customers, the U.S. government on military installations, as well as municipalities and utility customers, collectively presented as the "Market-Based Businesses."

Presented in the table below are operating revenues disaggregated for the three months ended September 30, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 545	$ —	$ 545
Commercial	197	—	197
Fire service	38	—	38
Industrial	39	—	39
Public and other	72	—	72
Total water services	891	—	891
Wastewater services:			
Residential	38	—	38
Commercial	10	—	10
Industrial	1	—	1
Public and other	4	—	4
Total wastewater services	53	—	53
Miscellaneous utility charges	2	—	2
Alternative revenue programs	—	(4)	(4)
Lease contract revenue	—	2	2
Total Regulated Businesses	946	(2)	944
Market-Based Businesses	152	—	152
Other	(4)	—	(4)
Total operating revenues	$ 1,094	$ (2)	$ 1,092

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* ("ASC 606"), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the nine months ended September 30, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,466	$ —	$ 1,466
Commercial	511	—	511
Fire service	112	—	112
Industrial	105	—	105
Public and other	172	—	172
Total water services	2,366	—	2,366
Wastewater services:			
Residential	112	—	112
Commercial	28	—	28
Industrial	3	—	3
Public and other	12	—	12
Total wastewater services	155	—	155
Miscellaneous utility charges	18	—	18
Alternative revenue programs	—	12	12
Lease contract revenue	—	5	5
Total Regulated Businesses	2,539	17	2,556
Market-Based Businesses	435	—	435
Other	(11)	(1)	(12)
Total operating revenues	$ 2,963	$ 16	$ 2,979

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's Market-Based Businesses, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts and home warranty protection program contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $68 million and $39 million are included in unbilled revenues on the Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020, respectively. Contract assets of $27 million and $13 million are included in unbilled revenues on the Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019, respectively. There were $60 million of contract assets added during the nine months ended September 30, 2021, and $31 million of contract assets were transferred to accounts receivable during the same period. There were $43 million of contract assets added during the nine months ended September 30, 2020, and $29 million of contract assets were transferred to accounts receivable during the same period.

Contract liabilities of $39 million and $35 million are included in other current liabilities on the Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020, respectively. Contract liabilities of $36 million and $27 million are included in other current liabilities on the Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019, respectively. There were $141 million of contract liabilities added during the nine months ended September 30, 2021, and $137 million of contract liabilities were recognized as revenue during the same period. There were $91 million of contract liabilities added during the nine months ended September 30, 2020, and $82 million of contract liabilities were recognized as revenue during the same period.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of September 30, 2021, the Company's O&M and capital improvement contracts in the Market-Based Businesses have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of $6.4 billion as of September 30, 2021, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2022 and 2038 and have RPOs of $603 million as of September 30, 2021, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 6: Acquisitions and Divestitures

During the nine months ended September 30, 2021, the Company closed on the acquisition of 13 regulated water and wastewater systems for a total aggregate purchase price of $56 million, including the acquisition of the East Pasadena Water Company in California on September 23, 2021 for $34 million. Assets acquired from these acquisitions, principally utility plant, totaled $57 million and liabilities assumed totaled $1 million. Two of these acquisitions were accounted for as a business combination. The preliminary purchase price allocations related to an acquisition accounted for as a business combination will be finalized once the valuation of assets acquired has been completed, no later than one year after its acquisition date.

On April 6, 2021, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for $235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system, directly and indirectly through bulk contracts, serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company's Pennsylvania subsidiary paid a $20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

Assets Held for Sale

On November 20, 2019, the Company and the Company's New York subsidiary, entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with Liberty Utilities Co., which it subsequently assigned to its indirect, wholly owned subsidiary Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), pursuant to which Liberty will purchase all of the capital stock of the New York subsidiary (the "Stock Purchase") for an aggregate purchase price of approximately $608 million in cash, subject to adjustment as provided in the Stock Purchase Agreement. The Company's regulated New York operations have approximately 125,000 customers in the State of New York. Algonquin Power & Utilities Corp., Liberty's ultimate parent company, executed and delivered an absolute and unconditional guaranty of the performance of all of the obligations of Liberty under the Stock Purchase Agreement. The Stock Purchase is subject to various conditions, including obtaining approvals and satisfying or waiving other closing conditions. The Stock Purchase Agreement as originally executed provided for an initial termination date of June 30, 2021 (the "Closing End Date"). On June 29, 2021, the parties mutually agreed to extend the Closing End Date to December 31, 2021 in accordance with the terms of the Stock Purchase Agreement, and agreed to extend further the Closing End Date to January 3, 2022 as December 31, 2021 is a federal holiday. No other provision of the Stock Purchase Agreement was modified by this mutual agreement. Liberty may also terminate the Stock Purchase Agreement if any governmental authority initiates a condemnation or eminent domain proceeding against a majority of the consolidated properties of the Company's New York subsidiary, taken as a whole. The assets and related liabilities of the Company's New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of September 30, 2021.

Presented in the table below are the components of assets held for sale and liabilities related to assets held for sale of the New York subsidiary as of September 30, 2021:

	September 30, 2021
Property, plant and equipment	$ 546
Current assets	20
Regulatory assets	78
Goodwill	27
Other assets	7
Assets held for sale	$ 678
Current liabilities	$ 16
Regulatory liabilities	46
Other liabilities	16
Liabilities related to assets held for sale	$ 78

Note 7: Shareholders' Equity

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the nine months ended September 30, 2021 and 2020, respectively:

	Defined Benefit Pension Plans				
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Gain (Loss) on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance as of December 31, 2020	$ (106)	$ 1	$ 63	$ (7)	$ (49)
Other comprehensive income before reclassifications	—	—	—	1	1
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	3
Net other comprehensive income (loss)	—	—	3	1	4
Balance as of September 30, 2021	$ (106)	$ 1	$ 66	$ (6)	$ (45)
Balance as of December 31, 2019	$ (94)	$ 1	$ 60	$ (3)	$ (36)
Other comprehensive loss before reclassifications	—	—	—	(4)	(4)
Amounts reclassified from accumulated other comprehensive loss	—	—	2	—	2
Net other comprehensive income (loss)	—	—	2	(4)	(2)
Balance as of September 30, 2020	$ (94)	$ 1	$ 62	$ (7)	$ (38)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends

On September 1, 2021, the Company paid a quarterly cash dividend of $0.6025 per share to shareholders of record as of August 10, 2021.

On October 28, 2021, the Company's Board of Directors declared a quarterly cash dividend payment of $0.6025 per share, payable on December 1, 2021 to shareholders of record as of November 10, 2021. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 8: Long-Term Debt

On May 10, 2021, American Water Capital Corp. ("AWCC") completed a $1.1 billion debt offering, which included the sale of $550 million aggregate principal amount of its 2.30% senior notes due 2031 and $550 million aggregate principal amount of its 3.25% senior notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of $1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay $251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and $76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately $14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of $15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

On May 6, 2021, the Company entered into two 10-year treasury lock agreements, with notional amounts of $125 million and $150 million, to reduce interest rate exposure on debt, which was subsequently issued on May 10, 2021. These treasury lock agreements had an average fixed rate of 1.58%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. On May 10, 2021, the Company terminated these two treasury lock agreements with an aggregate notional amount of $275 million, realizing a net gain of less than $1 million, to be amortized through interest, net over a 10-year period, in accordance with the terms of the $1.1 billion new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the three and nine months ended September 30, 2021 and 2020.

In addition to the senior notes issued and retired by AWCC as described above, during the nine months ended September 30, 2021, the Company's regulated subsidiaries issued in the aggregate $13 million of private activity bonds and government funded debt in multiple transactions with annual interest rates ranging from 0.00% to 5.00%, with a weighted average interest rate of 0.05%, maturing in 2022 through 2047. During the nine months ended September 30, 2021, AWCC and the Company's regulated subsidiaries made sinking fund payments for, or repaid at maturity, $43 million in aggregate principal amount of outstanding long-term debt, with annual interest rates ranging from 0.00% to 12.25%, a weighted average interest rate of 7.37%, and maturity dates ranging from 2021 to 2048.

Note 9: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. The revolving credit facility provides $2.25 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is March 21, 2025. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. As of September 30, 2021 and December 31, 2020, there were no borrowings outstanding under the revolving credit facility.

On March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). As of December 31, 2020, $500 million of principal was outstanding under the Term Loan Facility. The Term Loan Facility commitments terminated at maturity on March 19, 2021 and the Term Loan Facility was repaid in full. Borrowings under the Term Loan Facility bore interest at a variable annual rate based on LIBOR, plus a margin of 0.80%.

Short-term debt consists of commercial paper and credit facility borrowings totaling $684 million and $786 million as of September 30, 2021 and December 31, 2020, respectively. The weighted-average interest rate on AWCC's outstanding short-term borrowings, including as of December 31, 2020, $500 million of outstanding principal on the Term Loan Facility, was approximately 0.13% and 0.53% at September 30, 2021 and December 31, 2020, respectively. As of September 30, 2021 and December 31, 2020, there were no commercial paper or credit facility borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of September 30, 2021		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(684)	(76)	(760)
Remaining availability as of September 30, 2021	$ 1,416	$ 74	$ 1,490

(a) Total remaining availability of $1.49 billion as of September 30, 2021 may be accessed through revolver draws.

	As of December 31, 2020		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	$ 1,314	$ 74	$ 1,388

(a) Total remaining availability may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of September 30, 2021 and December 31, 2020, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of September 30, 2021	$ 70	$ 1,490	$ 1,560
Available liquidity as of December 31, 2020	$ 547	$ 1,388	$ 1,935

Note 10: Income Taxes

The Company's effective income tax rate was 18.2% and 25.0% for the three months ended September 30, 2021 and 2020, respectively, and 17.2% and 24.1% for the nine months ended September 30, 2021 and 2020, respectively. The decrease in the Company's effective income tax rate for the three and nine months ended September 30, 2021 was primarily due to an increase in the amortization of EADIT resulting from the TCJA, pursuant to regulatory orders.

Note 11: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit cost (credit):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Components of net periodic pension benefit cost:				
Service cost	$ 9	$ 8	$ 27	$ 24
Interest cost	16	18	49	55
Expected return on plan assets	(31)	(28)	(95)	(84)
Amortization of prior service credit	(1)	(1)	(2)	(3)
Amortization of actuarial loss	7	7	20	23
Net periodic pension benefit (credit) cost before settlements	—	4	(1)	15
Settlements	—	—	—	1
Net periodic pension benefit (credit) cost	$ —	$ 4	$ (1)	$ 16
Components of net periodic other postretirement benefit credit:				
Service cost	$ 1	$ 1	$ 3	$ 3
Interest cost	2	3	6	9
Expected return on plan assets	(5)	(5)	(15)	(14)
Amortization of prior service credit	(8)	(9)	(24)	(25)
Amortization of actuarial loss	—	—	—	1
Net periodic other postretirement benefit credit	$ (10)	$ (10)	$ (30)	$ (26)

The Company contributed $10 million and $28 million for the funding of its defined benefit pension plans for the three and nine months ended September 30, 2021, respectively, and contributed $9 million and $31 million for the funding of its defined benefit pension plans for the three and nine months ended September 30, 2020, respectively. The Company contributed $3 million for the funding of its other postretirement benefit plans for the three and nine months ended September 30, 2021, and the Company made no contributions for the funding of its other postretirement benefit plans for the three and nine months ended and September 30, 2020. The Company expects to make pension contributions to the plan trusts of $9 million during the remainder of 2021. No postretirement contributions to the plan trusts are expected to be made during the remainder of 2021.

No settlement charges were recorded during the three months ended September 30, 2021. Due to the amount of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan, a settlement charge of less than $1 million was recorded during the nine months ended September 30, 2021, and settlement charges of less than $1 million and $1 million were recorded during the three and nine months ended September 30, 2020, respectively. In accordance with existing regulatory accounting treatment, the Company has maintained the settlement charge in regulatory assets. The amount is being amortized in accordance with existing regulatory practice.

Note 12: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of September 30, 2021, the Company has accrued approximately $4 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $2 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 12—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, the Company's West Virginia subsidiary ("WVAWC") and certain other Company-affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the $126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is $19 million. As of September 30, 2021, $0.5 million of the aggregate Settlement amount of $126 million has been reflected in accrued liabilities, and $0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets. The amount reflected in accrued liabilities as of September 30, 2021 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund's appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys' fees and claims administration costs. The Company funded WVAWC's contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

On February 4, 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. On July 14, 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. On August 31, 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court order certifying the issues class. At the request of the parties, on September 10, 2020, the Circuit Court ordered the stay of all matters in the class proceeding pending consideration of this petition. On December 3, 2020, the Supreme Court of Appeals issued an order to show cause stating that there are sufficient grounds for oral argument to consider prohibiting the class certification order. On January 28, 2021, the Supreme Court of Appeals granted a motion by the *Jeffries* plaintiffs to remand the case back to the Circuit Court for further consideration in light of a recent Supreme Court of Appeals decision issued in another case relating to the class certification issues raised. A briefing schedule has been set and, following briefing by all parties, oral argument on the issue of class certification was heard on July 16, 2021. This matter remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest.

On November 22, 2019, the Tennessee-American Water Defendants filed a motion to dismiss the complaint for failure to state a claim upon which relief may be granted, and, with respect to the Company, for lack of personal jurisdiction. Oral argument on the motion to dismiss took place on September 9, 2020. On September 18, 2020, the court (i) granted the motion to dismiss the Tennessee Plaintiffs' negligence claim against all Tennessee-American Water Defendants, (ii) denied the motion to dismiss the breach of contract claim against TAWC, (iii) held in abeyance the motion to dismiss the breach of contract claims against the Company and Service Company pending a further hearing and (iv) held in abeyance the Company's motion to dismiss the complaint for lack of personal jurisdiction. On September 24, 2020, at the request of the Tennessee Plaintiffs, the court dismissed without prejudice all claims in the *Bruce* complaint against the Company and Service Company. The impact of the September 2020 court orders was that all of the Tennessee Plaintiffs' claims in this complaint were dismissed, other than the breach of contract claims against TAWC. On October 16, 2020, TAWC answered the complaint, and the parties are conducting discovery.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order") approving a deadline of December 31, 2021 for Cal Am's compliance with these prior orders (the "2021 Deadline").

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the MPWMD. The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the 2009 Order and the 2016 Order. In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the California Public Utilities Commission (the "CPUC").

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to the incurred $50 million in associated costs plus an allowance for funds used during construction ("AFUDC"), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that (i) the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity, (ii) the issuance of the final decision should not be delayed, and (iii) an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am has incurred $176 million in aggregate costs as of September 30, 2021 related to the Water Supply Project, which includes $44 million in AFUDC. While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the "Coastal Commission"), as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. The original jurisdiction application remains pending.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, based on the foregoing, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Due to the delay in the approval schedule for the Water Supply Project, Cal Am currently does not expect that it will be able to comply with the diversion reduction requirement schedule contained in the 2016 Order until January 2022. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order, or the 2021 Deadline, may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 13: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted EPS calculations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net income attributable to common shareholders	$ 278	$ 264	$ 618	$ 564
Denominator:				
Weighted-average common shares outstanding—Basic	182	181	182	181
Effect of dilutive common stock equivalents	—	1	—	—
Weighted-average common shares outstanding—Diluted	182	182	182	181

The effect of dilutive common stock equivalents is related to outstanding stock options, restricted stock units ("RSUs") and performance stock units ("PSUs") granted under the Company's 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company's 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three and nine months ended September 30, 2021 and 2020, because their effect would have been anti-dilutive under the treasury stock method.

Note 14: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of September 30, 2021				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 4	$ —	$ —	$ 6	$ 6
Long-term debt (excluding finance lease obligations)	10,395	10,241	61	1,657	11,959

	As of December 31, 2020				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 5	$ —	$ —	$ 7	$ 7
Long-term debt (excluding finance lease obligations)	9,656	9,639	415	1,753	11,807

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 30	$ —	$ —	$ 30
Rabbi trust investments	23	—	—	23
Deposits	26	—	—	26
Other investments	14	—	—	14
Total assets	93	—	—	93
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total assets	$ 66	$ —	$ —	$ 66

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 29	$ —	$ —	$ 29
Rabbi trust investments	19	—	—	19
Deposits	4	—	—	4
Other investments	11	—	—	11
Total assets	63	—	—	63
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	$ 39	$ —	$ —	$ 39

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no significant mark-to-market derivatives outstanding as of September 30, 2021.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Note 15: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's right-of-use ("ROU") assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 38 years, six years, and five years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $146 million and $147 million as of September 30, 2021 and December 31, 2020, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $1 million in 2021 and $4 million in 2022 through 2025, and $52 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were $3 million and $3 million for the three months ended September 30, 2021 and September 30, 2020, respectively, and $10 million and $10 million for the nine months ended September 30, 2021 and September 30, 2020, respectively.

For the three and nine months ended September 30, 2021, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, were $3 million and $10 million, respectively. For the three months ended September 30, 2021, there were $4 million ROU assets obtained in exchange for new operating lease liabilities. For the nine months ended September 30, 2021, there were ROU assets obtained in exchange for new operating lease liabilities of $10 million.

As of September 30, 2021, the weighted-average remaining lease term of the finance lease and operating leases were five years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at September 30, 2021 are $3 million in 2021, $12 million in 2022, $9 million in 2023, $8 million in 2024, $8 million in 2025 and $96 million thereafter. At September 30, 2021, imputed interest was $46 million.

Note 16: Segment Information

The Company's operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses. "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended September 30, 2021			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 944	$ 152	$ (4)	$ 1,092
Depreciation and amortization	151	6	4	161
Total operating expenses, net	563	121	(9)	675
Interest, net	(73)	(1)	(27)	(101)
Income before income taxes	332	31	(23)	340
Provision for income taxes	60	8	(6)	62
Net income attributable to common shareholders	273	23	(18)	278
Total assets	22,818	900	1,615	25,333
Cash paid for capital expenditures	447	3	3	453

	As of or for the Three Months Ended September 30, 2020			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 945	$ 139	$ (5)	$ 1,079
Depreciation and amortization	138	7	9	154
Total operating expenses, net	543	108	(5)	646
Interest, net	(72)	—	(27)	(99)
Income before income taxes	346	31	(25)	352
Provision for income taxes	85	7	(4)	88
Net income attributable to common shareholders	261	23	(20)	264
Total assets	21,946	1,110	1,338	24,394
Cash paid for capital expenditures	442	1	1	444

	As of or for the Nine Months Ended September 30, 2021			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,556	$ 435	$ (12)	$ 2,979
Depreciation and amortization	449	17	10	476
Total operating expenses, net	1,658	354	(9)	2,003
Interest, net	(216)	(3)	(81)	(300)
Income before income taxes	752	79	(85)	746
Provision for income taxes	130	20	(22)	128
Net income attributable to common shareholders	623	59	(64)	618
Total assets	22,818	900	1,615	25,333
Cash paid for capital expenditures	1,191	7	7	1,205

	As of or for the Nine Months Ended September 30, 2020			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 2,468	$ 399	$ (13)	$ 2,854
Depreciation and amortization	417	20	14	451
Total operating expenses, net	1,558	309	2	1,869
Interest, net	(218)	1	(79)	(296)
Income before income taxes	744	91	(92)	743
Provision for income taxes	183	23	(27)	179
Net income attributable to common shareholders	561	68	(65)	564
Total assets	21,946	1,110	1,338	24,394
Cash paid for capital expenditures	1,303	7	4	1,314

Note 17: Subsequent Events

Sale of Homeowner Services Group

On October 28, 2021, the Company and the subsidiaries comprising its Homeowner Services Group ("HOS") entered into a purchase agreement with a wholly owned subsidiary of funds advised by Apax Partners LLP (the "Buyer"), to sell all of the equity interests of the HOS subsidiaries to the Buyer for total estimated consideration of approximately $1.275 billion. Apax Partners LLP is a global private equity advisory firm. The consideration is comprised of $480 million in cash (subject to customary closing and post-closing adjustments and tax withholdings), a five-year secured seller promissory note to be issued at closing in the principal amount of $720 million, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. Closing of the sale is subject to certain customary conditions, including, among others, the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"). The Company and the Buyer may terminate the purchase agreement under certain circumstances, including if the closing does not occur by December 27, 2021, subject to an extension by either the Company or the Buyer for up to an additional nine months in the event of any law or order preventing the closing or if the expiration or termination of the applicable waiting period under the HSR Act has not occurred.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company's Form 10-K for the year ended December 31, 2020. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements" and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). The Company also operates market-based businesses that provide water, wastewater and other services to residential and smaller commercial customers, the U.S. government on military installations, as well as municipalities and utility customers, collectively presented as the "Market-Based Businesses." These Market-Based Businesses are not subject to economic regulation by state PUCs. See Part I, Item 1—Business in the Company's Form 10-K for additional information.

COVID-19 Pandemic Update

American Water continues to monitor the COVID-19 pandemic and has taken steps since the beginning of the pandemic to mitigate adverse impacts to the Company. The Company has three main areas of focus as part of its response to COVID-19: the care and safety of its employees; the safety of its customers and the communities it serves; and the execution of its business continuity plan. American Water continues to work with its vendors to prevent disruptions in its supply chain, and, at this time, has not experienced, and does not anticipate, any material negative impacts. The Company also continues to monitor the impacts of the COVID-19 pandemic on the capital markets, including impacts that could increase its cost of capital.

The Company has experienced financial impacts since the beginning of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental operation and maintenance ("O&M") expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as "financial impacts." See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information. The extent to which the COVID-19 pandemic may further impact American Water, including without limitation, its liquidity, financial condition, and results of operations, will depend on future developments, which presently cannot be predicted.

As of November 2, 2021, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 14 jurisdictions, with proceedings in New York and Tennessee pending. One jurisdiction, Kentucky, issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California's Catastrophic Event Memorandum Account allows the Company's California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO
Proceedings pending	Pending proceedings considering deferred accounting authorization for the future recovery of COVID-19 financial impacts.	NY, TN

The Company's Pennsylvania subsidiary filed for a request with the Pennsylvania Public Utility Commission (the "PaPUC") to defer as a regulatory asset all identified COVID-19 financial impacts. On September 15, 2021, the PaPUC issued an order approving the request to defer, with carrying costs, incremental uncollectible expense and other incremental costs net of savings attributed to the COVID-19 pandemic. The PaPUC order denied the request to include lost revenues attributed to the waiver of late fees and reconnect fees and expenses associated with additional interest costs. Additionally, the PaPUC order approved the request to allow for the continuation of the deferral of financial impacts, rejecting proposals from the intervening parties to define an end date to the deferral in 2021. As a result of the order discussed above, the Company recorded a net $7 million reduction to its regulatory assets and corresponding impacts to revenue, interest expense and uncollectible expense during the third quarter of 2021. The Company continues to evaluate options within its next base rate case to address these denied items and the resulting financial impact.

On July 28, 2021, the Company's Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General, which reflected agreement on the deferral of COVID-19-related financial impacts through April 30, 2021. On August 9, 2021, the Tennessee Public Utility Commission denied the stipulation and settlement agreement and moved to address the Company's Tennessee subsidiary's petition to defer the COVID-19 financial impacts in a future hearing. On August 26, 2021, the Company's Tennessee subsidiary filed a motion to withdraw its pending petition, preserving its right to seek recovery of the COVID-19 financial impacts in a future proceeding.

Consistent with these regulatory orders, the Company has recorded $39 million in regulatory assets and $6 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of September 30, 2021.

As of November 2, 2021, three states continue moratoria on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in 11 states. The Company continues to monitor the COVID-19 pandemic and will continue to comply with the current ordered moratoria and any future moratoria implemented.

Sale of Homeowner Services Group

On October 28, 2021, the Company and the subsidiaries comprising HOS entered into a purchase agreement with a wholly owned subsidiary of funds advised by Apax Partners LLP (the "Buyer"), to sell all of the equity interests of the HOS subsidiaries to the Buyer for total estimated consideration of approximately $1.275 billion (an estimated $1.0 billion net of tax). Apax Partners LLP is a global private equity advisory firm. The consideration is comprised of $480 million in cash (subject to customary closing and post-closing adjustments and tax withholdings), a seller promissory note to be issued by the Buyer at closing in the principal amount of $720 million, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. Closing of the sale is subject to certain customary conditions, including, among others, the expiration or termination of the waiting period under the HSR Act. The Company and/or the Buyer may terminate the purchase agreement under certain circumstances, including if the closing does not occur by December 27, 2021, subject to an extension by either the Company or the Buyer for up to an additional nine months in the event of any law or order preventing the closing or if the expiration or termination of the applicable waiting period under the HSR Act has not occurred. The Company expects the closing to occur in the fourth quarter of 2021. The structure of the transaction enables the initial cash proceeds to be redeployed into the Regulated Businesses to fund near-term incremental capital investments, while interest on the seller note will provide a stream of earnings during its term. Upon maturity, the proceeds from the repayment of the seller note are expected to be used to fund capital investment in the Regulated Businesses. This proposed sale further narrows the focus of the Company's Market-Based Businesses primarily to its Military Services Group ("MSG").

The seller note will have a five-year term, will be payable in cash, and will bear interest at a rate of 7.00% per year during the term. The repayment obligations of the Buyer under the seller note will be secured by a first priority security interest in certain property of the Buyer and the HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions. The seller note will require compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but will not include any financial maintenance covenants.

Beginning on the 36th month after closing, the Company has a put right pursuant to which it may require the seller note to be repaid in full at par, plus accrued and unpaid interest, except that upon the occurrence of a disruption event in the broadly syndicated term loan "B" debt financing market, repayment by the Buyer pursuant to the Company's exercise of the put right will be delayed until the market disruption event ends.

The seller note may not be prepaid at the Buyer's election except in certain limited circumstances before the fourth anniversary of the closing date. If the Buyer seeks to repay the seller note in breach of this non-call provision, an event of default will occur under the seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary "make-whole" payment.

The Company and the Buyer will enter into, at closing, a revenue share agreement, pursuant to which the Company will receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods.

Financing Activities

On May 10, 2021, American Water Capital Corp. ("AWCC") completed a $1.1 billion debt offering, which included the sale of $550 million aggregate principal amount of its 2.30% senior notes due 2031 and $550 million aggregate principal amount of its 3.25% senior notes due 2051. Net proceeds of this offering were used to lend funds to parent company and its regulated subsidiaries, to prepay $327 million in aggregate principal amount of AWCC's outstanding senior notes, to repay AWCC's commercial paper obligations and for general corporate purposes. See Note 8—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

As a result of AWCC's prepayment of the various senior notes, a make-whole premium of $15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

Financial Results

For the three and nine months ended September 30, 2021, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), were $1.53 and $3.40, respectively, an increase of $0.07 and $0.29 per diluted share, respectively, as compared to the same periods in the prior year. These increases were primarily driven by continued growth in the Regulated Businesses from infrastructure investment, acquisitions and organic growth. These increases were offset somewhat by the impacts from weather in both 2021 and 2020, which decreased revenue by an estimated $17 million and $11 million for the three and nine months ended September 30, 2021, respectively.

The Company expects to continue to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. The Company plans to invest approximately $1.9 billion across its footprint in 2021. During the first nine months of 2021, the Company invested $1.3 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- $1.2 billion capital investment in the Regulated Businesses, the majority for infrastructure improvements and replacements; and
- $78 million to fund acquisitions, including deposits discussed below, in the Regulated Businesses, which added approximately 6,900 water and wastewater customers through the nine months ended September 30, 2021, in addition to approximately 12,600 customers added through organic growth through the nine months ended September 30, 2021.

On April 6, 2021, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for $235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system, directly and indirectly through bulk contracts, serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company's Pennsylvania subsidiary paid a $20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

As of November 2, 2021, the Company has entered into agreements for pending acquisitions in the Regulated Businesses to add approximately 82,700 additional customers.

Sale of New York American Water Company, Inc.

On November 20, 2019, the Company and the Company's New York subsidiary entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with Liberty Utilities Co., which it subsequently assigned to its indirect, wholly owned subsidiary Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), pursuant to which Liberty will purchase all of the capital stock of the New York subsidiary (the "Stock Purchase") for an aggregate purchase price of approximately $608 million in cash, subject to adjustment as provided in the Stock Purchase Agreement. The Company's regulated New York operations have approximately 125,000 customers in the State of New York. Algonquin Power & Utilities Corp., Liberty's ultimate parent company, executed and delivered an absolute and unconditional guaranty of the performance of all of the obligations of Liberty under the Stock Purchase Agreement. The Stock Purchase is subject to various conditions, including obtaining approvals and satisfying or waiving other closing conditions. The Stock Purchase Agreement as originally executed provided for an initial termination date of June 30, 2021 (the "Closing End Date"). On June 29, 2021, the parties mutually agreed to extend the Closing End Date to December 31, 2021 in accordance with the terms of the Stock Purchase Agreement, and agreed to extend further the Closing End Date to January 3, 2022 as December 31, 2021 is a federal holiday. No other provision of the Stock Purchase Agreement was modified by this mutual agreement. Liberty may also terminate the Stock Purchase Agreement if any governmental authority initiates a condemnation or eminent domain proceeding against a majority of the consolidated properties of the Company's New York subsidiary, taken as a whole.

In 2020, the Governor of New York proposed legislation that, among other things, required the New York State Department of Public Service ("NYSDPS") to study whether private water suppliers should be placed under municipal control. On February 3, 2021, the Governor issued a press release announcing that he directed the NYSDPS Special Counsel to commence and lead a municipalization feasibility study (the "Study"). The Study was released on March 29, 2021 finding that municipalization was feasible and in the public interest. The Study focused primarily on the imminent need for tax relief for the Company's New York subsidiary's customers and included recommendations to eliminate the Special Franchise Tax and create a new public authority to potentially acquire all or a portion of the system. Despite the Study's findings, the legislative session ended without passage of legislation to eliminate the Special Franchise Tax. However, the New York State Senate and New York State Assembly passed legislation creating the North Shore Water Authority ("NSWA") and the South Shore Water Authority ("SSWA"). The NSWA relates to a small portion of the New York subsidiary's service area (about 4,700 customers) while the SSWA relates to the largest portion of its service territory (about 120,000 customers). Both bills were delivered to the Governor but have not yet been signed into law. The Company's New York subsidiary continues to work constructively with the NYSDPS, including through ongoing settlement discussions among all parties to the proceeding, and to take all actions necessary to facilitate the completion of the Stock Purchase. Subject to satisfying or waiving the various conditions to closing, and assuming no prior termination of the Stock Purchase Agreement by Liberty as described above, the Company remains confident that the Stock Purchase will be completed.

The assets and related liabilities of the Company's New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of September 30, 2021. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Operational Excellence

The Company's adjusted regulated O&M efficiency ratio, which is used as a measure of the operating performance of the Regulated Businesses, was 33.9% for the twelve months ended September 30, 2021, as compared to 34.2% for the twelve months ended September 30, 2020. The improvement in this ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure, and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

	For the Twelve Months Ended September 30,	
(Dollars in millions)	**2021**	**2020**
Total operation and maintenance expenses	$ 1,715	$ 1,605
Less:		
Operation and maintenance expenses—Market-Based Businesses	436	386
Operation and maintenance expenses—Other	(30)	(20)
Total operation and maintenance expenses—Regulated Businesses	1,309	1,239
Less:		
Regulated purchased water expenses	154	146
Allocation of non-operation and maintenance expenses	41	34
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,114	$ 1,059
Total operating revenues	$ 3,902	$ 3,756
Less:		
Operating revenues—Market-Based Businesses	575	536
Operating revenues—Other	(16)	(18)
Total operating revenues—Regulated Businesses	3,343	3,238
Less:		
Regulated purchased water revenues (a)	154	146
Revenue reductions for the amortization of EADIT	(93)	—
Adjusted operating revenues—Regulated Businesses (ii)	$ 3,282	$ 3,092
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.9 %	34.2 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the current period:

	During the Three Months Ended September 30,		During the Nine Months Ended September 30,	
(In millions)	**2021**	**2020**	**2021**	**2020**
General rate cases by state:				
Missouri (effective May 28, 2021)	$ —	$ —	$ 22	$ —
New York (effective May 1, 2021)	—	—	7	—
Pennsylvania (effective January 28, 2021)	—	—	70	—
Indiana (effective May 1, 2020)	—	—	—	13
California (effective January 1, 2020)	—	—	—	5
Total general rate cases	$ —	$ —	$ 99	$ 18
Infrastructure surcharges by state:				
Kentucky (effective July 1, 2021 and July 1, 2020)	$ 1	$ 1	$ 1	$ 1
New Jersey (effective June 28, 2021, June 29, 2020 and January 1, 2020)	—	—	14	20
Indiana (effective March 17, 2021)	—	—	8	—
Pennsylvania (effective January 1, 2021, July 1, 2020, April 1, 2020 and January 1, 2020)	—	4	8	19
Illinois (effective January 1, 2021 and January 1, 2020)	—	—	7	7
West Virginia (effective January 1, 2021 and January 1, 2020)	—	—	5	3
Tennessee (effective January 1, 2021 and January 1, 2020)	—	—	3	2
Missouri (effective June 27, 2020)	—	—	—	10
Total infrastructure surcharges	$ 1	$ 5	$ 46	$ 62

Effective October 7, 2021, the Company's Missouri subsidiary implemented infrastructure surcharges for annualized incremental revenues of $7 million.

On August 28, 2020, the Company's Iowa subsidiary filed a general rate case requesting $3 million in annualized incremental revenues. An order was issued on June 28, 2021 authorizing an increase of $1 million. On July 9, 2021, the Company's Iowa subsidiary filed a Motion for Clarification with respect to the required accelerated flow back of unprotected EADIT over a three-year period to recognize the increase to rate base and incremental revenues as the unprotected EADIT is amortized. On September 21, 2021, that motion was denied. The Company's Iowa subsidiary filed tariffs consistent with the order on September 23, 2021. Effective October 11, 2021, the Iowa Utilities Board approved the tariffs and implemented the new rates.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of $22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of $72 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of $74 million is being returned to customers over 10 years. The $25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of $13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. A scheduling order was issued on October 18, 2021 establishing a briefing schedule through January 2022. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is $19 million. The overall increase, net of TCJA reductions, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On August 18, 2021, the Company's Hawaii subsidiary filed a general rate case requesting $2 million in additional annualized revenues.

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting $32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is $1 million and the exclusion for infrastructure surcharges is $10 million. Intervenor testimony was received on September 20, 2021. The Company's rebuttal testimony was filed on October 5, 2021. Hearings are scheduled to start November 3, 2021.

On July 1, 2019, the Company's California subsidiary filed a general rate case requesting $29 million in annualized incremental revenues for 2021, and increases of $10 million and $11 million in the escalation year of 2022 and the attrition year of 2023, respectively. On October 11, 2019, the Company filed its 100-day update for the same proceeding and updated the request to $27 million in annualized incremental revenues for 2021, and increases of $10 million in both the escalation year of 2022 and the attrition year of 2023, respectively. On September 10, 2020, the California Public Utilities Commission (the "CPUC") approved the Company's California subsidiary's motion for interim rates, establishing a memorandum account to track the difference between interim and final rates adopted by the CPUC in this proceeding, which were effective on January 1, 2021. Following settlement discussions among all parties to the proceeding, on January 22, 2021, January 25, 2021, and February 11, 2021, the Company's California subsidiary filed with the CPUC comprehensive settlements entered into among the Company's California subsidiary, the Public Advocates Office, and other intervenors. These settlement agreements resolved all matters in dispute among the parties to the settlements, with the exception of a few disputed items between the Company's California subsidiary and the Monterey Peninsula Water Management District (the "MPWMD"). On October 19, 2021, the CPUC issued a proposed decision in the general rate case proceeding for rates effective January 1, 2021. With minor exceptions, the proposed decision would adopt the comprehensive settlements reached with the Public Advocates Office, and other intervenors. Comments on the proposed decision are due November 8, 2021 and reply comments are due November 15, 2021. The earliest the decision could be adopted is November 18, 2021 at the CPUC's voting meeting. The Company expects a final decision by December 31, 2021.

On January 5, 2021, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain the authorized cost of capital through 2022. On February 22, 2021, the CPUC denied the request to further delay the cost of capital filing. The Company's California subsidiary submitted its cost of capital application on May 3, 2021. Once approved by the CPUC, the new authorized cost of capital will be effective January 1, 2022.

Pending Infrastructure Surcharge Filings

On September 3, 2021, the Company's Missouri subsidiary filed for an infrastructure surcharge requesting $11 million in additional annualized revenues.

On June 30, 2021, the Company's West Virginia subsidiary filed for an infrastructure surcharge requesting $3 million in additional annualized revenues.

Legislative Updates

During 2021, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of November 2, 2021:

- The Kentucky General Assembly adopted House Bill 465 relating to the acquisition of water and wastewater utilities. The legislation affirms a method in valuing water and wastewater systems above net book value and establishes a timeline of 60 days for Public Service Commission approval of an acquisition.
- Indiana House Enrolled Act 1287 creates a mechanism that reduces the required upfront cost to new customers for a water or wastewater utility to extend service to underserved areas.
- Indiana House Enrolled Act 349 establishes a tax rider for water and wastewater utilities based upon a change in state or federal income tax law. The legislation also requires the Indiana Finance Authority to prioritize loans that secure long-term benefits over shorter term projects.
- New Jersey passed Lead Service Line Replacement Bill, Senate Bill 3398/Assembly Bill 5343, which provides for the replacement of lead service lines within 10 years of the effective date of the bill and authorizes cost recovery of customer-owned lead service lines as an O&M expense plus interest through a semi-annual surcharge.
- Missouri passed the Water and Sewer Infrastructure Act, Senate Bill 44/House Bill 397, to establish a new statewide surcharge mechanism program which covers replacement of aging water distribution and sewer collection infrastructure. This legislation broadens the eligible projects covered by the current Infrastructure System Replacement Surcharge mechanism and expands its applicability to projects across the state.
- Illinois passed House Bill 414, Low Income Water & Sewer Financial Assistance Program, which authorizes the state's Department of Commerce and Economic Opportunity to institute a water and sewer assistance program for customers of privately and publicly owned systems. The program is modeled off the existing energy supplemental state Low Income Home Energy Assistance Program.

During 2021, the Company's regulatory jurisdictions enacted the following legislation that has been approved but is not yet effective as of November 2, 2021:

- New Jersey passed Senate Bill 647/House Bill 4825, which strengthens the state's existing Water Quality Accountability Act ("WQAA") by requiring the Department of Environmental Protection to adopt regulations to implement the WQAA, enhancing asset management plans and reporting, upgrading cyber security standards and adding criminal penalties for falsifying reports. Legislation is awaiting the Governor's signature.
- California passed electronic payment legislation, Assembly Bill 1058, which permanently changes state law to allow investor-owned water and wastewater utilities to accept electronic payments, including credit and debit cards, without charging processing fees to customers. Legislation was signed by the Governor with an effective date of January 1, 2022.
- California passed CPUC consolidation timeline legislation, Assembly Bill 1250, which requires the CPUC to make timely decisions on applications to acquire systems. Consolidations of less than $5 million are to be processed within 180 days and those more than $5 million are required to be processed within 12 months. Legislation was signed by the Governor with an effective date of January 1, 2022.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity (a "CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added "Measure J" to the November 2018 election ballot asking voters to decide whether the MPWMD should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed.

In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. On June 12, 2020, the MPWMD issued a draft environmental impact report for the potential acquisition of the Monterey system assets and a related district boundary adjustment that would be required if the MPWMD were to acquire and operate certain of the Monterey system assets located outside the MPWMD's boundaries. On September 15, 2020, the MPWMD gave notice of its intention to appraise the Monterey system assets and related property interests. On September 29, 2020, the Company's California subsidiary declined to make the Monterey system assets and related property interests available for inspection or to comply with any of the other requests contained in the MPWMD's notice. On October 7, 2020, the MPWMD issued a final environmental impact report ("FEIR"), and on November 4, 2020, the MPWMD certified the FEIR, which purports to analyze the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. On November 25, 2020, the Company's California subsidiary filed a petition challenging this certification in court. A hearing on the matter was held on August 30, 2021, and a decision from the court remains pending. See Item 3—Legal Proceedings—Challenge of Certification — Proposed Monterey System Final Environmental Impact Report in the Company's Form 10-K, and Part II, Item 1—Legal Proceedings in this Form 10-Q.

On February 26, 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. On June 28, 2021, LAFCO's board of directors voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. By letter dated July 30, 2021, LAFCO notified the MPWMD that its application was complete and would be considered for action at a public hearing, which will now take place on December 6, 2021. LAFCO also indicated that, in accordance with the LAFCO board of directors' directive, a consultant was engaged to perform an independent financial review of the application, which will support LAFCO's analysis of the application at the public hearing. Approval by LAFCO is a precondition to the MPWMD's ability to file an eminent domain proceeding against the Company's California subsidiary to acquire the Monterey system assets. If the MPWMD were to make a final determination that an acquisition of the Monterey system assets is feasible, it would then need to file a multi-year eminent domain proceeding against the Company's California subsidiary. In that proceeding, it would first need to establish its right to take the Monterey system assets. If such right is established, the amount of just compensation to be paid to the California subsidiary for such assets would then need to be determined. The MPWMD has stated that it anticipates filing such an eminent domain proceeding in late 2021 or early 2022.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of $38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial that was originally scheduled for October 2021 has been continued to June 2022.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
(In millions)				
Operating revenues	$ 1,092	$ 1,079	$ 2,979	$ 2,854
Operating expenses:				
Operation and maintenance	436	419	1,286	1,193
Depreciation and amortization	161	154	476	451
General taxes	78	73	241	225
Total operating expenses, net	675	646	2,003	1,869
Operating income	417	433	976	985
Other income (expense):				
Interest, net	(101)	(99)	(300)	(296)
Non-operating benefit costs, net	20	12	59	37
Other, net	4	6	11	17
Total other income (expense)	(77)	(81)	(230)	(242)
Income before income taxes	340	352	746	743
Provision for income taxes	62	88	128	179
Net income attributable to common shareholders	$ 278	$ 264	$ 618	$ 564

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. The Company also operates market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses, which is consistent with how management assesses the results of these businesses.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
(In millions)				
Operating revenues	$ 944	$ 945	$ 2,556	$ 2,468
Operation and maintenance	338	335	983	932
Depreciation and amortization	151	138	449	417
General taxes	74	69	226	211
(Gain) on asset dispositions and purchases	—	—	—	(3)
Other income (expenses)	(49)	(56)	(146)	(166)
Income before income taxes	332	346	752	744
Provision for income taxes	60	85	130	183
Net income attributable to common shareholders	273	261	623	561

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
(In millions)				
Water services:				
Residential	$ 545	$ 562	$ 1,466	$ 1,435
Commercial	197	187	511	471
Fire service	38	37	112	110
Industrial	39	38	105	101
Public and other	68	60	184	178
Total water services	887	884	2,378	2,295
Wastewater services:				
Residential	38	35	112	99
Commercial	10	8	28	25
Industrial	1	1	3	2
Public and other	4	4	12	11
Total wastewater services	53	48	155	137
Other (a)	4	13	23	36
Total operating revenues	$ 944	$ 945	$ 2,556	$ 2,468

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
(Gallons in millions)				
Billed water services volumes:				
Residential	53,526	57,917	133,282	135,875
Commercial	23,981	23,556	58,559	56,434
Industrial	10,400	9,925	26,843	26,422
Fire service, public and other	14,978	14,783	38,385	37,414
Total billed water services volumes	102,885	106,181	257,069	256,145

For the three months ended September 30, 2021, operating revenues decreased $1 million, primarily due to a $56 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states, and a $6 million increase from water and wastewater acquisitions, as well as organic growth in existing systems. These increases were offset by an estimated net decrease of $17 million from weather in both 2021 and 2020, and a $24 million decrease in revenues due to the amortization of EADIT, which is generally offset with a reduction in income tax expense. There was an estimated $11 million decrease in 2021 due to higher demand in the third quarter of 2020 as a result of the COVID-19 pandemic, which had no estimated net impact on revenue for the full year 2020. Additionally, there was an $8 million decrease in revenue due to the denial of recovery of certain COVID-19 financial impacts based on the PaPUC order received by the Company's Pennsylvania subsidiary. See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information.

For the nine months ended September 30, 2021, operating revenues increased $88 million, primarily due to $152 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states, and a $22 million increase from water and wastewater acquisitions, as well as organic growth in existing systems. These increases were offset by an estimated net decrease of $11 million from weather in both 2021 and 2020, and a $68 million decrease in revenues due to the amortization of EADIT, which is generally offset with a reduction in income tax expense. Additionally, there was an $8 million decrease in revenue due to the denial of recovery of certain COVID-19 financial impacts based on the PaPUC order received by the Company's Pennsylvania subsidiary. See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
(In millions)				
Employee-related costs	$ 132	$ 125	$ 391	$ 369
Production costs	101	100	268	253
Operating supplies and services	56	65	171	175
Maintenance materials and supplies	19	18	66	56
Customer billing and accounting	17	14	49	41
Other	13	13	38	38
Total	$ 338	$ 335	$ 983	$ 932

For the three months ended September 30, 2021, operation and maintenance expense increased $3 million primarily due to a $7 million increase in employee-related costs from higher headcount and related compensation expense in support of the growth in the business and a $3 million increase in customer billing and accounting primarily due to higher call volumes experienced at our customer service centers. These increases were partially offset by a $9 million decrease in operating supplies and services due to timing of expenses.

For the nine months ended September 30, 2021, operation and maintenance expense increased $51 million, primarily due to a $22 million increase in employee-related costs from higher headcount and related compensation expense in support of the growth in the business and higher pension expense due to higher service costs. There was a $15 million increase in production costs primarily due to higher purchased water usage in the Company's California subsidiary and increased fuel and power costs across several subsidiaries and a $10 million increase in maintenance materials and supplies due to timing of maintenance and tank painting projects in the Company's New Jersey subsidiary and increased paving costs from a higher volume of main breaks.

Depreciation and Amortization

For the three and nine months ended September 30, 2021, depreciation and amortization increased $13 million and $32 million, respectively, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

For the three and nine months ended September 30, 2021, general taxes increased $5 million and $15 million, respectively, primarily due to increased capital investments, including acquisitions and an increase in the New Jersey Gross Receipts Tax.

Other Income (Expenses)

For the three and nine months ended September 30, 2021, other income (expenses) increased $7 million and $20 million, respectively, primarily due to the reduction in the non-service cost components of pension and other postretirement benefits expense resulting from higher asset returns.

Provision for Income Taxes

For the three and nine months ended September 30, 2021, the Regulated Businesses' provision for income taxes decreased $25 million and $53 million, respectively. The Regulated Businesses' effective income tax rate was 18.1% and 24.6% for the three months ended September 30, 2021 and 2020, respectively, and 17.3% and 24.6% for the nine months ended September 30, 2021 and 2020, respectively. The decrease in the Regulated Businesses' effective income tax rate for the three and nine months ended September 30, 2021 was primarily due to an increase in the amortization of EADIT resulting from the TCJA, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Market-Based Businesses

Presented in the table below is information for the Market-Based Businesses:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
(In millions)				
Operating revenues	$ 152	$ 139	$ 435	$ 399
Operation and maintenance	113	99	332	284
Depreciation and amortization	6	7	17	20
Income before income taxes	31	31	79	91
Provision for income taxes	8	7	20	23
Net income attributable to common shareholders	23	23	59	68

Operating Revenues

For the three and nine months ended September 30, 2021, operating revenues increased $13 million and $36 million, respectively, due to an increase in capital and O&M projects in the MSG, across several of the Company's military bases, primarily at the United States Military Academy at West Point, New York, Fort Hood and Joint Base San Antonio.

Operation and Maintenance

For the three months ended September 30, 2021, operation and maintenance expense increased $14 million, primarily due to costs associated with MSG from increased capital and O&M projects as discussed above and an increase in additional O&M costs related to the Contract Services Group ("CSG").

For the nine months ended September 30, 2021, operation and maintenance expense increased $48 million primarily due to costs associated with MSG from increased capital and O&M projects as discussed above; additional costs associated with an increase of claims in 2021 in HOS, including from extreme cold weather across the country during the first quarter of 2021, primarily in Texas and Illinois; and an increase in additional O&M costs related to CSG.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company's Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, and, if and to the extent necessary, borrowings under AWCC's revolving credit facility, and, in the future, issuances of equity. The Company's revolving credit facility provides $2.25 billion in aggregate total commitments from a diversified group of financial institutions. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support, and to provide for the issuance of up to $150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is $2.10 billion. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million. As of September 30, 2021 and December 31, 2020, there were no borrowings outstanding under the revolving credit facility. The weighted-average interest rate on AWCC's outstanding short-term borrowings, including as of December 31, 2020, $500 million of outstanding principal on the Term Loan Facility (as defined below), was approximately 0.13% and 0.53% at September 30, 2021 and December 31, 2020, respectively.

To ensure adequate liquidity given the impacts of the COVID-19 pandemic on debt and capital markets, on March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). The proceeds were used for general corporate purposes of AWCC and American Water and to provide additional liquidity. As of December 31, 2020, $500 million of principal was outstanding under the Term Loan Facility. The Term Loan Facility commitments terminated at maturity on March 19, 2021 and the Term Loan Facility was repaid in full.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of September 30, 2021		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(684)	(76)	(760)
Remaining availability as of September 30, 2021	$ 1,416	$ 74	$ 1,490

(a) Total remaining availability of $1.49 billion as of September 30, 2021 may be accessed through revolver draws.

	As of December 31, 2020		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	$ 1,314	$ 74	$ 1,388

(a) Total remaining availability may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of September 30, 2021 and December 31, 2020, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of September 30, 2021	$ 70	$ 1,490	$ 1,560
Available liquidity as of December 31, 2020	$ 547	$ 1,388	$ 1,935

The Company believes that existing sources of liquidity are sufficient to meet its cash requirements for the foreseeable future. Though not currently anticipated, no assurances can be provided that the lenders will meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms. See Note 9—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

On May 10, 2021, AWCC completed a $1.1 billion debt offering, which included the sale of $550 million aggregate principal amount of its 2.30% senior notes due 2031 and $550 million aggregate principal amount of its 3.25% senior notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of $1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay $251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and $76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately $14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of $15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

On May 6, 2021, the Company entered into two 10-year treasury lock agreements, with notional amounts of $125 million and $150 million, to reduce interest rate exposure on debt, which was subsequently issued on May 10, 2021. These treasury lock agreements had an average fixed rate of 1.58%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. On May 10, 2021, the Company terminated these two treasury lock agreements with an aggregate notional amount of $275 million, realizing a net gain of less than $1 million, to be amortized through interest, net over a 10-year period, in accordance with the terms of the $1.1 billion new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the three and nine months ended September 30, 2021 and 2020.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company's cash flows provided by operating activities:

	For the Nine Months Ended September 30,	
	2021	2020
(In millions)		
Net income	$ 618	$ 564
Add (less):		
Depreciation and amortization	476	451
Deferred income taxes and amortization of investment tax credits	121	174
Other non-cash activities (a)	(37)	(25)
Changes in working capital (b)	(118)	(145)
Pension and postretirement healthcare contributions	(31)	(31)
Net cash flows provided by operating activities	$ 1,029	$ 988

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, the settlement of cash flow hedges and other current assets and liabilities, net.

For the nine months ended September 30, 2021, cash flows provided by operating activities increased $41 million, due to an increase in net income, an increase in depreciation and amortization primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions and changes in working capital, partially offset by a decrease in deferred income taxes and amortization of investment tax credits primarily driven by an increase in the amortization of EADIT.

Cash Flows Used in Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows used in investing activities:

	For the Nine Months Ended September 30,	
	2021	2020
(In millions)		
Net capital expenditures	$ (1,205)	$ (1,314)
Acquisitions	(78)	(59)
Other investing activities, net (a)	(70)	(73)
Net cash flows used in investing activities	$ (1,353)	$ (1,446)

(a) Includes removal costs from property, plant and equipment retirements and proceeds from sale of assets.

For the nine months ended September 30, 2021, cash used in investing activities decreased $93 million, primarily due to the timing of payments for capital expenditures. Partially, offsetting this decrease was an increase in acquisitions primarily due to the acquisition of the East Pasadena Water Company in California for $34 million during the third quarter of 2021. The Company plans to invest approximately $1.9 billion across its footprint in 2021.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows provided by financing activities:

	For the Nine Months Ended September 30,	
	2021	2020
(In millions)		
Proceeds from long-term debt	$ 1,113	$ 1,250
Repayments of long-term debt	(370)	(266)
(Repayments of) proceeds from term loan	(500)	500
Net short-term borrowings with maturities less than three months	(97)	(242)
Debt issuance costs and make-whole premium on early debt redemption	(26)	(12)
Dividends paid	(318)	(290)
Other financing activities, net (a)	46	26
Net cash flows (used in) provided by financing activities	$ (152)	$ 966

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the nine months ended September 30, 2021, cash flows provided by financing activities decreased $1,118 million, primarily due to the $500 million borrowed under the Term Loan Facility during the first quarter of 2020 which was repaid in full at maturity in 2021, an increase in repayments of long-term debt due to the prepayment of $327 million in aggregate principal amount of AWCC's outstanding senior notes during the second quarter of 2021 and higher dividends paid in 2021, partially offset by lower net repayments of commercial paper borrowings.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company or its subsidiaries may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On September 30, 2021, the Company's ratio was 0.62 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of November 2, 2021 as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. None of the Company's borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, energy, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 7—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

Financial condition of the Company, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2020.

The Company had no significant derivative instruments outstanding as of September 30, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

American Water maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2021.

Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2021, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Form 10-K in Part I, Item 3—Legal Proceedings, and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 in Part II, Item 1—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Monterey Peninsula Water Supply Project

Water Supply Project Land Acquisition and Slant Well Site Use

On October 7, 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint against Cal Am, CEMEX and MCWRA, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion.

Challenge of Certification — Proposed Monterey System Acquisition Final Environmental Impact Report

On November 25, 2020, the Company's California subsidiary filed a petition for writ of mandate in Monterey County Superior Court challenging certification of the issuance of a FEIR by MPWMD for the potential acquisition of the Monterey system assets. A hearing on the matter was held on August 30, 2021, and a decision from the court remains pending.

Other Matters

On April 2, 2021, American Water Resources, LLC ("AWR"), an indirect, wholly owned subsidiary of parent company, and one of the entities comprising HOS, received a grand jury subpoena for certain of its records in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY"). The subpoena seeks information about AWR's operations and its contractor network in the New York City metropolitan area. In connection with the proposed sale of HOS to the Buyer, the Company, AWR and the Buyer will enter into, at the closing, a Common Interest and Cooperation Agreement (the "Cooperation Agreement"), in order to facilitate a common defense for, and to share information concerning, this investigation and any legal or regulatory inquiries or proceedings related to or resulting from it or the subject matter in the subpoena (collectively, the "Covered Matters"). The Company will, on behalf of AWR, defend any Covered Matter, using commercially reasonable efforts to resolve it on a reasonably expedient basis. Further, the Company will be required to consult with the Buyer in specified circumstances and obtain its prior written consent (which consent may not be unreasonably withheld, conditioned or delayed) before entering into any resolution of any Covered Matter that imposes non-monetary provisions or undertakings or any other terms for which there will be no indemnification under the Cooperation Agreement. In addition, for 39 months after the date of the closing, the Company will indemnify the Buyer for any monetary losses or out-of-pocket damages (as described in the Cooperation Agreement) incurred by the Buyer or certain of the HOS subsidiaries to the extent directly arising in connection with, or directly resulting from, any Covered Matter.

Based on the subpoena and discussions with the EDNY, the investigation does not appear to be focused on the parent company or the operations of any of its other subsidiaries. AWR is fully cooperating with the investigation. While it is not possible at this time to predict the outcome of the investigation or determine the amount, if any, of fines, penalties or other liabilities that may be incurred in connection with it, the Company does not currently believe that the investigation will have a material adverse effect on the Company's results of operations, financial condition or liquidity.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in the Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A—Risk Factors in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended September 30, 2021. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through September 30, 2021, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
#2.1.1	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among the Company, New York American Water Company, Inc., and Liberty Utilities (Eastern Water Holdings) Corp. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
#2.2	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Works Company, Inc., American Water Enterprises, LLC, American Water (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
4.1	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.2	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 14, 2021).
4.3	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 14, 2021).
10.1	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.2	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
*31.1	Certification of Walter J. Lynch, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of M. Susan Hardwick, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of Walter J. Lynch, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of M. Susan Hardwick, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Filed herewith.

** Furnished herewith

The agreements filed as Exhibits 2.1.1 and 2.2 hereto has been included to provide investors and security holders with information regarding its terms. It is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the agreements (i) were made by the parties thereto only for purposes of that agreement and as of specific dates; (ii) were made solely for the benefit of the parties to each agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of each agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to each agreement instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of each agreement may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of each agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. Each agreement should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 2nd day of November, 2021.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By /s/ WALTER J. LYNCH
Walter J. Lynch
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

By /s/ MELISSA K. WIKLE
Melissa K. Wikle
Vice President and Controller
(Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, Walter J. Lynch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2021

By: /s/ WALTER J. LYNCH

Walter J. Lynch
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

(Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2021

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Walter J. Lynch, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ WALTER J. LYNCH

Walter J. Lynch
President and Chief Executive Officer
(Principal Executive Officer)
November 2, 2021

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION
PURSUANT TO U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
November 2, 2021

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)
(856) 955-4001
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, $0.01 par value—$24,527,200,000 as of June 30, 2023 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2023, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2023, to be controlled by, or under common control with, American Water or any such persons in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, $0.01 par value per share—194,755,320 shares as of February 6, 2024.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2024 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2023 are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

Statements included in Item 1—Business, Item 1A—Risk Factors, and Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this Annual Report on Form 10-K, or incorporated by reference therein, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company's future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company's ability to execute its current and long-term business, operational, capital expenditures and growth plans and strategies; the timing and outcome of pending or future acquisition activity, and the ability to achieve organic customer growth; the ability of the Company's California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount, allocation and timing of projected capital expenditures and related funding requirements; the Company's ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company's ability to finance current and projected operations, capital expenditure needs and growth initiatives by accessing the debt and equity capital markets and sources of short-term liquidity; the outcome and impact on the Company of governmental and regulatory investigations and proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company's stated environmental and sustainability goals, including its greenhouse gas ("GHG") emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the Company's ability to comply with new and changing environmental regulations; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company's actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the factors discussed under Item 1A—Risk Factors, and the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, or other factors;
- present and future proposed changes in laws, governmental regulations and policies, including with respect to the environment (such as, for example, potential improvements to existing Federal regulations with respect to lead and copper service lines and galvanized steel pipe), health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern (including without limitation per- and polyfluoroalkyl substances ("PFAS")), public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;

- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain, update, redesign and/or replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means, and impacts from required or voluntary public and other disclosures related thereto;
- the Company's ability to obtain permits and other approvals for projects and construction, update, redesign and/or replacement of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies, and the Company's ability to create, maintain and promote initiatives and programs that support the affordability of the Company's regulated utility services;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
    - acquiring, closing and successfully integrating regulated operations;
    - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts, with the U.S. government; and
    - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS"), including:
    - the Company's ability to receive amounts due, payable and owing to the Company under the amended secured seller note when due; and
    - the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and regulations, including those enacted or adopted and under consideration, and the substances related thereto, including without limitation lead and galvanized steel, PFAS and other contaminants of emerging concern, and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company's ability to address or mitigate the impacts thereof;

- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation or regulations (including without limitation impacts related to the Corporate Alternative Minimum Tax), and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, including without limitation litigation and other proceedings with respect to the water system assets of the Company's California subsidiary ("Cal Am") located in Monterey, California (the "Monterey system assets"), or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and/or diverse talent;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements contained in this Annual Report on Form 10-K, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Annual Report on Form 10-K was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I

ITEM 1. BUSINESS

The Company

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, the Company employs approximately 6,500 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company conducts the majority of its business through regulated utilities that provide water and wastewater services, collectively presented as one reportable segment, referred to as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. Individually, these other businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses.

Throughout this Annual Report on Form 10-K, unless the context otherwise requires, references to "we," "us," "our," the "Company," and "American Water" mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries.

Regulated Businesses

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. The Company's utilities operate in approximately 1,700 communities in 14 states in the United States, with 3.5 million active customers in its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). Federal, state and local governments also regulate environmental, health and safety, and water quality and water accountability matters. The Company reports the results of the services provided by its utilities in the Regulated Businesses segment. Operating revenues for the Regulated Businesses were $3,920 million for 2023, $3,505 million for 2022 and $3,384 million for 2021, accounting for 93%, 92% and 86%, respectively, of the Company's total operating revenues for the same periods.

Presented in the table below is a geographic summary of the Regulated Businesses' operating revenues and the number of customers the Company serves, by type of service, for and as of the year ended December 31, 2023:

	Operating Revenues (in millions)				Number of Customers (in thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
Pennsylvania	$ 810	$ 155	$ 965	24.6 %	683	98	781	22.4 %
New Jersey	908	57	965	24.6 %	668	64	732	21.0 %
Missouri	430	20	450	11.5 %	483	24	507	14.5 %
Illinois	366	61	427	10.9 %	299	72	371	10.6 %
California	300	4	304	7.8 %	190	3	193	5.5 %
Total—Top Five States (b)	2,814	297	3,111	79.4 %	2,323	261	2,584	74.1 %
Other (c)	779	30	809	20.6 %	865	37	902	25.9 %
Total Regulated Businesses	$ 3,593	$ 327	$ 3,920	100.0 %	3,188	298	3,486	100.0 %

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(b) The Company's "Top Five States" are determined based upon operating revenues.

(c) Includes the Company's utility operations in the following states: Georgia, Hawaii, Indiana, Iowa, Kentucky, Maryland, Tennessee, Virginia and West Virginia and other revenue attributable collectively to the Regulated Businesses.

Customers

The Company's Regulated Businesses have a large and geographically diverse customer base. A customer is defined as a person, business, municipality or any other entity that purchases the Company's water or wastewater services as of the last business day of a reporting period. One single customer may purchase the Company's services for use by multiple individuals or businesses. Examples of these customers are homes, apartment complexes, businesses and governmental entities.

The vast majority of the Company's regulated water customers are metered, which allows the Company to measure and bill for its customers' water usage, typically on a monthly basis. The Company employs a variety of methods of customer meter reading to monitor consumption. These methods range from meters with mechanical registers where consumption is manually recorded by meter readers, to meters with electronic registers capable of transmitting consumption data to proximity devices or via radio frequency to mobile or fixed network data collectors. The Company's wastewater customers are billed either a flat rate or based upon their water consumption.

Residential customers make up a substantial portion of the Company's customer base in all of the states in which it operates. The Company also serves (i) commercial customers, such as food and beverage providers, commercial property developers and proprietors, and energy suppliers, (ii) fire service customers, where the Company supplies water through its distribution systems to public fire hydrants for firefighting purposes and to private fire customers for use in fire suppression systems in office buildings and other facilities, (iii) industrial customers, such as large-scale manufacturers, mining and production operations, (iv) public authorities, such as government buildings and other public sector facilities, including schools and universities, and (v) other utilities and community water and wastewater systems in the form of bulk contracts for the supply of water or the treatment of wastewater for their own customers.

Presented in the table below is a breakout of the Company's Regulated Businesses' operating revenue by class of customer, for the years ended December 31, 2023, 2022 and 2021:

	2023		2022		2021	
(In millions)	Revenue	Percentage of Revenue	Revenue	Percentage of Revenue	Revenue	Percentage of Revenue
Water services:						
Residential	$ 2,143	55 %	$ 1,941	55 %	$ 1,935	57 %
Commercial	798	20 %	710	20 %	676	20 %
Fire service	158	4 %	147	4 %	151	5 %
Industrial	167	4 %	153	4 %	141	4 %
Public and other water (a)	284	7 %	267	8 %	239	7 %
Wastewater	327	8 %	242	7 %	208	6 %
Other (b)	43	2 %	45	2 %	34	1 %
Total	$ 3,920	100 %	$ 3,505	100 %	$ 3,384	100 %

(a) Includes water revenues from public authorities and other utilities, community water systems under bulk contracts and alternative revenue programs.

(b) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

Presented in the table below is the number of water and wastewater customers the Company's Regulated Businesses' served by class of customer as of December 31, 2023, 2022 and 2021, which represents approximately 14 million people served as of December 31, 2023:

	2023		2022		2021	
(In thousands)	Water	Wastewater	Water	Wastewater	Water	Wastewater
Residential	2,893	279	2,870	270	2,972	245
Commercial	221	18	219	17	225	15
Fire service	4	—	51	—	52	—
Industrial	52	—	4	—	4	—
Public and other (a)	18	1	17	1	16	1
Total (b)	3,188	298	3,161	288	3,269	261

(a) Includes public authorities and other utilities and community water and wastewater systems under bulk contracts. Bulk contracts, which are accounted for as a single customer in the table above, generally result in service to multiple customers.

(b) The Company completed the sale of its New York subsidiary on January 1, 2022 and the sale of its Michigan subsidiary on February 4, 2022.

Customer growth in the Company's Regulated Businesses is primarily from (i) adding new customers to its customer base through acquisitions of water and/or wastewater utility systems, (ii) population growth in its authorized service areas, and (iii) sale of water to other water utilities and community water systems.

Capital Investment

The Company plans to invest between $34 billion and $38 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses' water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. The Company has proactively improved its pipe renewal rate from a 250-year replacement cycle in 2009 to an approximate 125-year replacement cycle by 2028, which it anticipates will enable the Company to replace nearly 2,000 miles of mains and collection pipes between 2024 and 2028. In addition, from 2024 to 2028, the Company's capital investment in treatment plants, storage tanks and other key, above-ground facilities is expected to increase, further seeking to address infrastructure renewal, resiliency, water quality, operational efficiency, technology and innovation, and emerging regulatory compliance needs. The Company continues to invest significantly in resiliency projects to address the impacts of climate and weather variability by hardening its assets.

Regulation and Rate Making

The operations of the Company's Regulated Businesses are generally subject to regulation by PUCs in the states in which they operate, with the primary responsibility of the PUCs being the promotion of the overall public interest by balancing the interest of customers and utility investors. Specific authority might differ from state to state, but in most states, PUCs review and approve rates charged to customers, accounting treatments, long-term financing programs and cost of capital, operation and maintenance ("O&M") expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers and acquisitions, and dispositions, along with imposing certain penalties or granting certain incentives. Regulatory policies vary from state to state and can change over time. These policies will affect the timing, as well as the extent, of recovery of expenses and the realized return on invested capital.

Periodic changes in customer rates generally occur through the filing of a rate case by the utility with the PUC. The timing of rate case filings is typically determined by either periodic requirements in the regulatory jurisdiction or by the utility's need to increase its revenue requirement to recover capital investment costs, changes in operating revenues, operating costs or other market conditions. The Company attempts to minimize "regulatory lag," which is the time between the occurrence of an event that triggers a change in the utility's revenue requirement and the recognition in rates of that change.

The Company's Regulated Businesses support regulatory practices at the PUCs and state legislatures that mitigate the adverse impact of regulatory lag. Presented in the table below are examples of approved regulatory practices:

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharge mechanisms	Allows rates to change periodically, outside a general rate case proceeding, to reflect recovery of capital investments made to replace infrastructure necessary to sustain safe and reliable services for the Company's customers. These mechanisms typically involve periodic filings and reviews to ensure transparency.	IA, IL, IN, KY, MO, NJ, PA, TN, VA, WV
Future test year	A "test year" is a period used for setting rates, and a future test year describes the first 12 months that new rates are proposed to be effective. The use of a future test year allows current or projected revenues, expenses and capital investments to be collected on a more timely basis.	CA, HI, IA, IL, IN, KY, PA, TN, VA
Hybrid test year	A historical test year sets rates using data from a 12-month period that ends prior to a general rate case filing. A hybrid test year allows an update to historical data for "known and measurable" changes that occur subsequent to the historical test year.	MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction ("AFUDC"). In addition, some states allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudency of such projects.	CA, IL, KY, PA, TN, VA
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility's control, to be recovered outside of a general rate case proceeding or deferred until the next general rate case proceeding.	CA, HI, IL, IN, MD, MO, NJ, PA, TN, VA
Revenue stability mechanisms	Adjusts rates periodically to ensure that a utility recovers the revenues authorized in its general rate case, regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently.	CA, IL
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state, and is generally used to moderate the price impact of periodic fluctuations in local costs, while lowering administrative costs for customers. Pennsylvania and West Virginia also permit a blending of water and wastewater revenue requirements.	CA, IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV
Deferred accounting	A regulator's willingness to defer recognition of financial impacts when setting rates for utilities.	All

The Company pursues enhancements to these regulatory practices to facilitate efficient recovery of its costs and capital investments and to continue to provide safe, clean, reliable and affordable services to its customers. The ability to seek regulatory treatment using the regulatory practices described above does not guarantee that the PUCs will accept the Company's proposal in the context of a particular rate case, and these regulatory practices may reduce, but not eliminate, regulatory lag associated with traditional rate making processes. It is also the Company's strategy to expand the use of these mechanisms in areas where they may not currently apply and enhance certain mechanisms where they already exist.

Acquisitions and Strategic Growth

The U.S. water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. According to the most recent study by the U.S. Environmental Protection Agency ("EPA"), as of 2017, approximately 84% of the water market is served by municipal systems and approximately 98% of the country's wastewater systems are government owned. The EPA also estimates, as of 2017, that there are over 50,000 community water systems and over 15,000 community wastewater systems in the United States, with approximately 80% of the community water systems serving a population of 3,000 or less.

A fundamental aspect of the Company's growth strategy is to pursue acquisitions of water and/or wastewater systems in geographic proximity to areas where the Company operates its Regulated Businesses, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information. The proximity of acquisition opportunities to the Company's regulated footprint allows it to integrate and manage the acquired systems and operations primarily using the Company's existing management (although the Company typically retains the majority, if not all, of the employees of the acquired systems) and to achieve operational efficiencies and prioritize capital investment needs. The Company's current customer mix of 91% water and 9% wastewater also presents strategic opportunities for wastewater growth and consolidation, allowing the Company to add wastewater customers where it already serves water customers. The Company intends to continue to expand its regulated footprint geographically by acquiring water and wastewater systems in its existing markets and, if appropriate, pursuing acquisition opportunities in certain domestic markets where the Company does not currently operate its Regulated Businesses. Before entering new regulated markets, the Company will evaluate the business and regulatory climates to ensure that it will have the opportunity to achieve an appropriate rate of return on its investment while maintaining its high standards for providing safe, reliable and affordable services to its customers. The Company will also evaluate whether there is a line of sight to grow to sufficient scale in a new regulated market so that it can attain efficiencies and promote customer affordability after entering a new domestic market.

Increasingly stringent environmental, health and safety, cybersecurity and water quality and water accountability regulations, the amount of infrastructure in need of significant capital investment, financial challenges and industry legislation are several elements, among others, that may drive more municipalities to consider selling their water and wastewater assets.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York.

Industry Legislation

In 2020 and 2021, the United States Congress passed, and the President signed into law, legislation with water and wastewater provisions including the Infrastructure Investment and Jobs Act (the "IIJA"), the Consolidated Appropriations Act of 2021 and the American Rescue Plan of 2021. The legislation provided funding for a variety of initiatives to support water and wastewater infrastructure, lead service line replacement, treatment of PFAS and other contaminants of emerging concern, and low-income water assistance ("LIHWAP"). LIHWAP expired in 2023.

The Company's regulated subsidiaries in New Jersey, Indiana, and Missouri have versions of water quality or safety accountability acts which require operational or safety and security standards for water and wastewater utilities serving a certain number of customers. In New Jersey, the law imposes requirements in areas such as asset management, water quality reporting, remediation of notices of violation, hydrant and valve maintenance and cybersecurity. In Indiana, the law requires water and wastewater utilities to conduct rate analyses, develop capital asset management plans and conduct cybersecurity and water loss audits. In Missouri, the act requires water and wastewater utilities to create cybersecurity, valve inspection and hydrant inspection programs.

The Company's regulated subsidiaries in California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia have access to utility valuation legislation and regulation for private sector investment in public sector water and wastewater systems. The Company supports full optionality for municipalities, including state legislation that enables the consolidation of the largely fragmented water and wastewater industries through third-party fair market valuations of purchased property. Fair market value assessment of water and wastewater systems is an alternative to the traditional depreciated original cost method of valuation, which allows the Company to offer municipalities a purchase price for their system assets that is reflective of the assets' fair market value, while providing the Company with increased opportunity to recover the purchase price over the life of the purchased system assets, subject to PUC approval. In 2021, the Tennessee Public Utility Commission implemented acquisition valuation rules that include a methodology to value water and wastewater assets based upon the new replacement cost of the assets less the depreciation, in addition to other valuation methodology options.

Consolidated tariffs use a unified rate structure for systems owned and operated by a single utility, which may or may not be physically interconnected. Consolidated tariff pricing moderates the impact of periodic fluctuations in local costs and promotes a more universal water infrastructure investment in a jurisdiction. As a result, consolidated tariffs can make it easier to incorporate new systems into an existing utility, support economies of scale for even the smallest of systems and prioritize capital needs across the jurisdiction. Overall, the Company believes that consolidated tariffs bring cost-effective, high-quality services to a larger number of customers. Eleven of the Company's regulated jurisdictions currently have some form of consolidated tariff pricing, including California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Virginia and West Virginia.

Competition

The Company's Regulated Businesses generally do not face direct competition in their existing markets because (i) the Company operates in those markets pursuant to franchises, charters, certificates of public convenience and necessity or similar authorizations (collectively, "CPCNs") issued by state PUCs or other authorities, and (ii) the high cost of constructing a new water and wastewater system in an existing market creates a significant barrier to market entry. However, the Company's Regulated Businesses do face increasing competition from governmental agencies, other investor-owned utilities, large industrial customers with the ability to provide their own water supply/treatment process and strategic buyers that are entering new markets and/or making strategic acquisitions. When pursuing acquisitions, the Company's largest investor-owned competitors, based on a comparison of operating revenues and population served, include Essential Utilities, Inc., American States Water Company and California Water Service Group. From time to time, the Company also faces competition from infrastructure funds, multi-utility companies and others, such as Algonquin Power and Utilities Corp., Eversource Energy, SouthWest Water Company and Corix Infrastructure, Inc.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original CPCN was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or the jurisdiction of the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary ("Cal Am") are the subject of a potential condemnation action by the Monterey Peninsula Water Management District (the "MPWMD") stemming from a November 2018 public ballot initiative. For more information on this matter, see Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets — Potential Condemnation.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, for example, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Water Supply and Wastewater Services

The Company's Regulated Businesses generally own the physical assets used to store, pump, treat and deliver water to its customers and collect, treat, transport and recycle wastewater. Typically, the Company does not own the water, which is held in public trust and is allocated to the Company through contracts, permits and allocation rights granted by federal and state or multi-state agencies or through the ownership of water rights pursuant to local law. The Company is dependent on defined sources of water supply and obtains its water supply from surface water sources such as reservoirs, lakes, rivers and streams; from groundwater sources, such as wells and aquifers; and water purchased from third-party water suppliers. The level of water treatment the Company applies varies significantly depending upon the quality of the water source and customer stipulations. Surface water sources typically require significant treatment, while groundwater sources often require chemical treatment only.

Presented in the table below are the percentages of water supply by source type for the Company's Top Five States individually and the Regulated Businesses collectively for the year ended December 31, 2023:

	Surface Water	Ground Water	Purchased Water
New Jersey	74%	20%	6%
Pennsylvania	91%	7%	2%
Missouri	84%	15%	1%
Illinois	55%	35%	10%
California	—%	67%	33%
Regulated Businesses	71%	22%	7%

The Company's ability to meet the existing and future water demands of its customers depends on an adequate water supply. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. The Company employs a variety of measures in an effort to obtain adequate sources of water supply, both in the short-term and over the long-term. The geographic diversity of the Company's service areas may mitigate some of the economic effects on the water supply associated with weather extremes the Company might encounter in any particular service territory. For example, in any given summer, some areas may experience drier than average weather, which may reduce the amount of source water available, while other areas the Company serves may experience wetter than average weather.

The Company evaluates quality, quantity, growth needs and alternate sources of water supply as well as transmission and distribution capacity to provide water service to its customers. Water supply is seasonal in nature and weather conditions can have a pronounced effect on supply. In order to ensure that the Company has adequate water supply, it uses long-term planning processes and maintains contingency plans to minimize the potential impact on service caused by climate variability and a wide range of weather fluctuations. The Company reviews current climate science and global models related to temperature, precipitation and sea level rise on an ongoing basis. Where actionable forecasts are available, the Company will use this information in its comprehensive planning studies and asset management plans. These studies and plans, which are used by the Company to develop its asset management and system reliability strategies, assess the climate risk and resiliency of the Company's water and wastewater systems over short-, medium- and long-term time horizons, and include evaluations of the availability of water supplies and system capacity against a number of different factors, projections and estimates.

In connection with supply planning for most surface or groundwater sources, the Company employs models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored so that supply capacity deficits may, to the extent possible, be predicted and mitigated through demand management and additional supply development. In California, where the state has recently experienced a multi-year drought, the Company utilizes multiple water supply options including numerous ground water wells in multiple aquifers as well as various long-term purchase water agreements with regional water suppliers to optimize supplies while assuring resiliency during dry years. An example of the Company's use of long-term planning to ensure that it has adequate water supply is its involvement in the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water (formerly known as the Monterey Regional Water Pollution Control Agency) and the MPWMD. The Water Supply Project is intended, among other things, to fulfill obligations of Cal Am to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB"). For more information, see Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions and Note 16—Commitments and Contingencies—Contingencies—Alternative Water Supply in Lieu of Carmel River Diversions, in the Notes to the Consolidated Financial Statements.

Wastewater services involve the collection of wastewater from customers' premises through sewer lines. The wastewater is then transported through a sewer network to a treatment facility, where it is treated to meet required regulatory standards for wastewater before being returned to the environment. The solid waste by-product of the treatment process is disposed of or recycled in accordance with applicable standards and regulations.

Seasonality

Customer demand for the Company's water service is affected by weather and tends to vary with temperature and amount and frequency of rainfall. Customer demand is generally greater during the warmer months, primarily due to increased water usage for irrigation systems and other outdoor water use. As such, the Company typically expects its operating revenues to be the highest in the third quarter of each year. Weather that is warmer and/or drier than average generally increases operating revenues, whereas, weather that is cooler and/or wetter than average generally suppresses customer water demand and can reduce water operating revenues. Two of the Company's jurisdictions, California and Illinois, have adopted revenue stability mechanisms which permit the Company to collect state PUC-authorized revenue for a given period that is not tied to the volume of water sold during that period, thereby lessening the impact of weather variability. See —Regulation and Rate Making for additional information regarding revenue stability mechanisms.

Affordability

The Company supports the United Nations' declaration of access to clean water and sanitation as a human right, regardless of economic status. As a water utility, the Company's water must be safe, efficient, reliable, accessible and affordable. Through increased efficiency, conservation and low-income support programs, on average across the enterprise, the Company consistently achieves water costs that are significantly below the EPA's suggested guidance of 2% of household income. Succeeding in water affordability positively affects the health and safety of the Company's customers and contributes to the economic prosperity of the communities in which it operates.

The Company's approach to water access and affordability consists of two key strategies. The first is to supply water that is safe, reliable and meets the needs of its customers. The second is to provide affordable water services to customers while protecting its customers' right to clean water, regardless of economic status or geographic location. The Company also focuses on addressing water affordability by maximizing both supply-side and demand-side efficiency. Average residential water bills for the Company's customers are approximately $55 to $65 per month, and the expected average annual rate increases across the Company's footprint over the next five years is 5% to 6%. The Company continues to advocate for federal and state customer affordability support and monitors the number of customers enrolled in its assistance programs to make sure that it is effectively responding to customer needs.

Other

Other primarily includes the MSG business, which enters into long-term contracts with the U.S. government to provide water and wastewater services on military installations. The Contract Services Group ("CSG"), also included in Other, has three contracts with municipal customers to operate and manage water and wastewater facilities and provide other related services. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The businesses included within Other are not subject to regulation by state PUCs and the services provided generally do not require significant capital investment. Operating revenues for Other were $314 million for 2023, $287 million for 2022 and $546 million for 2021, accounting for 7%, 8% and 14%, respectively, of the Company's total operating revenues for the same periods.

Military Services Group

MSG operates on 18 military installations under 50-year contracts with the U.S. government as part of its Utilities Privatization Program. The scope of these contracts generally includes the operation and maintenance of the installation's water and wastewater systems and a capital program focused on asset replacement and, in certain instances, systems expansion. The replacement of assets assumed when a contract is awarded to MSG is completed either through a discrete set of projects executed in the first five years of the contract or through the long-term recapitalization program performed over the life of the contract. Traditionally, both of these programs are funded from the contract fee. At times, new assets are required to support the installation's mission, and the construction of these assets is funded by the U.S. government as separate modifications or amendments to the contract. The capital for these assets historically has not been funded through the Company's debt or equity issuances; rather, the Company has used limited working capital for short-term needs under these contracts. The U.S. Army has a requirement that a bidder must offer financing in its proposal for these new capital projects under existing contracts, but the U.S. Army's implementation of this requirement on existing contracts has limited the need for such financing. However, recent U.S. Army and Navy Utilities Privatization solicitations have included requirements for the successful bidder to finance discrete initial capital projects over either a five- or ten-year period after project completion. Four of MSG's current contracts require such capital project financing, which the Company is currently addressing through internal sources of liquidity.

The contract price for four of MSG's contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period, to reflect changes in contract obligations and anticipated market conditions. The remaining 14 contracts with the U.S. government are subject to annual price adjustments under a mechanism called "Economic Price Adjustment." All 18 contracts could be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government, or as a result of default or non-performance by the MSG subsidiary performing the contract. In either event, pursuant to termination provisions applicable to all of these contracts, MSG would be entitled to recover allowable costs that it may have incurred under the contract, plus the contract profit margin on incurred costs. MSG's backlog of revenue associated with its contracts with the U.S. government is approximately $7.1 billion, with an average remaining contract term of 39 years.

Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests of the HOS subsidiaries for total consideration of approximately $1.275 billion. Prior to the Closing Date, the Company provided various warranty protection programs and other home services primarily to residential and smaller commercial customers through its HOS operations. See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Competition

MSG faces competition from a number of service providers, including American States Water Company and Veolia Environnement S.A.

Environmental, Health and Safety, Water Quality and Other Regulation

The Company's water and wastewater operations, including the services provided by its Regulated Businesses, MSG and CSG, are subject to extensive federal, state and local laws and regulations governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water the Company delivers to its customers, and the manner in which it collects, treats, discharges, recycles and disposes of wastewater. In the United States, these regulations are developed under federal legislation including the Safe Drinking Water Act, the Reduction of Lead in Drinking Water Act and the Clean Water Act, and under a variety of applicable state laws. Environmental, health and safety, and water quality regulations are complex and may vary from state to state in those instances where a state has adopted a standard that is more stringent than the federal standard. The Company is also subject to various federal, state, and local laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. PUCs also set conditions and standards for the water and wastewater services the Company delivers.

The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources, recognizing that drinking water standards have generally, over time, increased in number and become increasingly more stringent. As newer or stricter standards are introduced, the Company's capital and operating costs needed to comply with them will likely increase. The Company incurs substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which its operations are subject and the Company invests in technology solutions for enhanced detection and monitoring of water quality issues. The Company estimates that it will make capital expenditures of approximately $900 million over the next five years, and $200 million in 2024, to address water quality issues; most of which are focused on compliance with environmental laws and regulations. The Company believes that its operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

The Company's operations also involve the use, storage and disposal of hazardous substances and wastes. For example, the Company's water and wastewater treatment facilities store and use gaseous chlorine as well as other chemicals that generate wastes that require proper handling and disposal under applicable environmental requirements. The Company also could incur remedial costs in connection with any contamination relating to its operations or facilities or its off-site disposal of waste. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as current and former owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although the Company is not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs to the Company. The Company's facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder.

Safe Drinking Water Act

The Safe Drinking Water Act and related regulations establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous, naturally occurring and manufactured chemical and microbial contaminants and radionuclides allowable in drinking water, and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems that may be used for removing those contaminants, and other requirements. To date, the EPA has set standards for over 90 contaminants and water quality indicators for drinking water, and there is a process in place to make a regulatory determination on at least five additional compounds every five years.

The process of developing new drinking water standards is long and complex, but the Company actively participates with the EPA and other water industry groups by sharing research and water quality operational knowledge. See Item 1—Business—Research and Development—Contaminants of Emerging Concern for additional information.

The Company is within the EPA's time frame for compliance with standards and rules developed under the regulation of the Safe Drinking Water Act, which includes sample collection, data analysis, and, in some instances engineering planning and implementation of treatment enhancements. Further, the EPA is actively considering development of a new regulation for perchlorate and updates to the current microbial and disinfection byproduct regulations. The Company does not anticipate that any such regulations, if enacted, will require implementation in 2024.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, the Company expects current cost requirements under the Safe Drinking Water Act and other similar laws to be recoverable through the regulatory process and therefore compliance costs are not expected to have a material impact on its operations or financial condition. In addition, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from these pending or future requirements.

Lead and Copper Rule and Reduction of Lead in Drinking Water Act

In 1991, the EPA published the Lead and Copper Rule ("LCR") to control lead and copper in drinking water and, since that time, has issued minor revisions in 2000, 2004 and 2007, enhancing monitoring, reporting and public education requirements. In 2011, Congress enacted the Reduction of Lead in Drinking Water Act regarding the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. While these advances have made an impact in reducing lead exposure in drinking water, legacy lead plumbing materials, primarily in building plumbing, still remain in many communities. The failure of certain water systems in the United States to comply with the requirements of the LCR has received recent media attention and scrutiny, and in certain cases, has led to a number of investigations and the imposition of significant penalties and sanctions against the operators of those systems and others. As part of its ongoing water main replacement and service line renewal projects, and in accordance with applicable state regulations and anticipation of updated federal regulation, the Company has been replacing lead service lines ("LSLs") for many years in accordance with current scientific guidance. Also, the Company utilizes appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements.

On December 21, 2021, the EPA announced next steps to strengthen the regulatory framework on lead in drinking water, including implementing the Lead and Copper Rule Revisions ("LCRR") and indicated an intent to finalize the Lead and Copper Rule Improvements ("LCRI") which were proposed on December 6, 2023, prior to October 16, 2024, the initial compliance date in the LCRR. The Company is executing an implementation strategy to comply with the initial LCRR requirement to complete a lead service line inventory. Capital expenditures and operating costs associated with the LCRI will be determined once the EPA finalizes the rule, but as previously noted, costs associated with compliance with federal water quality regulations have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. The Company has provided both oral and written comments to the EPA on the proposed LCRI. The Company believes that, if the LCRI rulemaking were to be implemented, the total investment cost to identify and replace lead and galvanized steel service lines in the United States by 2037 would be significant and has been underestimated by the EPA in the LCRI rulemaking. Finally, the Company supports a delay of the compliance date for those portions of the LCRR proposed to be extended by the LCRI, some of which are currently scheduled to take effect on October 16, 2024, to allow all water service providers to prepare adequately for any changes that may be implemented through the proposed LCRI rulemaking while continuing to comply with the existing requirements.

The IIJA was signed into law in November 2021 and provides for up to $15 billion for lead service line replacement through drinking water state revolving funds. The Company will evaluate its service territories and apply for funding for those areas that meet applicable requirements. With regard to future acquisitions, the Company will work with those communities as part of the acquisition process to set LSL removal goals appropriate for those systems. The prioritization of LSL removal is dependent on several factors, including the Company's planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCR compliance monitoring results, and cooperation with its customers with respect to replacing the customer-owned portion of the LSL as necessary. In certain cases, these and other factors may result in a shorter or longer time frame for replacement. Because replacing the external LSL in its entirety is advised by several water industry organizations including the U.S. National Drinking Water Advisory Council, the Lead Service Line Replacement Collaborative, and the American Water Works Association, the Company's preferred approach is to replace the entire external LSL if lead is found on either the Company or customer portion of the service line; full LSL replacement is also consistent with the LCRR and proposed LCRI. The Lead Service Line Replacement Collaborative is a diverse group of public health, water utility, environmental, labor, consumer and housing organizations from across the country working together to encourage communities to accelerate the full replacement of LSLs through collaborative efforts at the local level.

National Primary Drinking Water Regulations

On March 14, 2023, the EPA announced the proposed National Primary Drinking Water Regulations ("NPDWR") for six PFAS including perfluorooctanoic acid ("PFOA"), perfluorooctane sulfonic acid ("PFOS"), perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid ("HFPO-DA", commonly known as "GenX Chemicals"), perfluorohexane sulfonic acid ("PFHxS"), and perfluorobutane sulfonic acid ("PFBS"). The proposed regulations would establish legally enforceable levels for PFAS in drinking water. The EPA anticipates issuing a final rule in 2024 and utilities will be provided a three-year window to comply with the new regulations once finalized, although the Safe Drinking Water Act allows utilities to request an additional two years if capital improvements are required.

The Company performed an initial review of the NPDWR to assess the four parts per trillion requirements for PFOA and PFOS and the application of the Hazard Index approach for PFNA, PFBS, PFHxS, and GenX Chemicals. On May 24, 2023, the Company submitted comments to the EPA outlining its position on key issues to address the proposed regulations, including its projected costs associated with PFAS treatment at the proposed limits and the potential impact to customers' bills. The Company estimates an investment of approximately $1 billion of capital expenditures to install additional treatment facilities over a three to five-year period in order to comply with the proposed regulations. Additionally, the Company estimates annual operating expenses up to approximately $50 million related to testing and treatment in today's dollars. These are preliminary estimates based on the proposed rule. The actual expenses may differ from these preliminary estimates and will be dependent upon multiple factors, including the final rule and effective date, as well as the completion of a system-by-system engineering analysis.

The Company supports sound policies and compliance with the NPDWR by all water utilities, while protecting customers and communities from the costly burden of monitoring and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable and is participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. For more information on the PFAS multi-district litigation, see Item 3—Legal Proceedings—PFAS Multi-District Litigation.

Clean Water Act

The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to the Company's wastewater collection systems, its operations require discharge permits under the National Pollutant Discharge Elimination System ("NPDES") permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA and implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of fines and penalties, and persistent non-compliance could lead to significant fines and penalties and other compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on the Company's operations. From time to time, discharge violations occur at the Company's facilities, some of which result in fines. The Company does not expect any such violations or fines to have a material impact on its results of operations or financial condition. The EPA has identified wastewater discharge permitting and permits for the application of biosolids, or sewage sludge, containing PFAS as areas of focus in its PFAS Strategic Roadmap. Individual states may also take action in these areas. As indicated previously, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from any new requirements in these areas.

Research and Development

The Company's Research and Development Program

The Company maintains an industry-leading research and development ("R&D") program that is designed to enhance its services, support its compliance activities, improve service quality and operational effectiveness, and provide environmental leadership. For more than three decades from its inception, American Water's R&D program has evolved into an industry-leading effort and has achieved numerous advancements in the science of drinking water, wastewater, and desalination. Through laboratory and industry resources and the team's expertise, efforts are focused on contaminants of emerging concern, including but not limited to PFAS, Legionella, cyanotoxin-forming algal blooms, a variety of pathogens (for example, COVID-19, Cryptosporidium, Giardia, enteric viruses, and various bacteria), microbial indicators and disinfection byproducts. The Company's R&D personnel are located at the Company's corporate headquarters and at two laboratory testing facilities in New Jersey and Illinois, the latter housing its quality control and testing laboratory, which supports the Company's R&D activities through testing and analysis.

The Company continues to leverage its expertise and collaborates with the EPA and state agencies to help establish effective environmental, health and safety, and water quality standards and regulations. This relationship includes sharing of the Company's research, such as its treatment and distribution system optimization research and its national water quality monitoring data. The Company's engagement with the EPA provides it with early insight into emerging regulatory issues and initiatives, thereby allowing the Company to anticipate and to accommodate its future compliance requirements. The Company also frequently engages with the Centers for Disease Control and Prevention, other state environmental agencies, and national and international water research foundations. The Company believes that continued R&D activities are critical for providing safe, reliable and affordable services, as well as maintaining its leadership position in the industry, which provides the Company with a competitive advantage as it seeks business and operational growth.

Contaminants of Emerging Concern

Contaminants of emerging concern include numerous chemicals such as PFAS, pharmaceuticals, personal care products, pesticides, herbicides, antibiotic resistant bacteria (ARB), antibiotic resistant genes (ARG), endocrine disrupting compounds, microplastics and industrial chemicals, as well as certain naturally occurring microbes, such as bacteria, viruses and parasites, which have been detected in drinking water supplies, for which the risk to the public's health is not fully understood and/or has not been assessed. Technological advances have only recently made it possible to detect many of these contaminants at trace levels. The ability to detect contaminants, even at trace levels, has invited discussion about these contaminants among regulators and government agencies, which in turn shapes the public's perception of drinking water quality.

The Chemicals Abstract Service Registry contains over 204 million registered chemicals, with an estimated 1,400 species of disease-causing microbes that can affect humans. The Company is continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to its water supply, to act on emerging regulations and new health advisories, and to evaluate the benefits of alternative or advanced treatment technologies. The Company utilizes water quality testing equipment and implements new and emerging technologies to help detect potential water supply contamination issues. Examples of the Company's efforts include:

- monitoring impacts of environmental pathogen loads and removal through wastewater systems;
- characterizing factors that contribute to the formation of potentially carcinogenic disinfection by-products to define best practices for their mitigation;

- advancing the science on holistic management strategies to improve distribution system water quality further;
- using its research findings to communicate information to its customers regarding potential actions to limit occurrences of Legionella in their buildings; in this regard, the Centers for Disease Control and Prevention statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with customer-owned plumbing systems in large buildings;
- defining a framework to support management or possible future regulation of opportunistic pathogens;
- developing expanded monitoring methods for short-chain and fluorinated replacement PFAS;
- systematically investigating PFAS removal from a variety of water matrices using established and emerging treatment technologies;
- leading a PFAS risk communication strategy for the water sector;
- using innovative technologies (e.g., satellite imagery) for early detection and response to algal blooms to manage public health impacts and prevent taste and odor events before cyanotoxins get into the water treatment plant;
- monitoring of taste and odor issues that impact customer satisfaction using expanded analytical methods to detect compounds, and evaluating and recommending treatment practices;
- implementing water source assessment tools, including sensors and data analytics, to evaluate and track chemical storage and aid in the identification of source water contamination events;
- developing methodology and advanced measurement techniques for contaminants of emerging concern to investigate transport, occurrence and treatment; and
- implementing activated carbon, biofiltration and ion exchange treatment to seek to control contaminants of emerging concern.

Service Company and Security

American Water Works Service Company, Inc. (“Service Company”) is a wholly owned subsidiary of the Company that provides support and operational services to the Company and its affiliates. These services are predominantly provided to the Company’s Regulated Businesses under contracts that have been approved by PUCs, where necessary, and are also provided to the MSG and CSG businesses as requested or may otherwise be necessary. Services provided by Service Company may include accounting and finance, administration, business development, communications, compliance, education and training, engineering, environmental, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, R&D, rates and regulatory support, security, risk management and insurance, treasury, and water quality. Service Company also provides customer support to the Company’s Regulated Businesses, which includes call handling, billing, a major accounts program and other related services. Services are provided by Service Company at cost, enabling the Company’s operating subsidiaries to fulfill their responsibilities in a cost-effective manner, while providing them access to in-depth, functional expertise.

The Company’s security team, through Service Company, provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout the Company’s operations. The security team is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company’s physical assets, business systems and operational technologies. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. For additional information concerning this team and the Company’s cybersecurity program, see Item 1C—Cybersecurity.

Environmental, Social Responsibility and Governance

The Company considers environmental, social responsibility and governance (“ESG”) principles fundamental to its corporate strategy and values. Integration of these principles into the Company’s daily operations emphasizes its belief that “how” a company operates is just as important as “what” a company does. Delivering safe, clean, reliable and affordable water services to customers and treating wastewater has been fundamental to the Company’s business for decades. The Company has an opportunity to make a positive, sustainable impact in thousands of communities by serving them with diverse and skilled employees and maintaining the governance and diligence to meet or exceed service expectations.

Demonstrated ESG Leadership

The Company's values and actions have achieved prestigious recognition by firms devoted to recognizing companies that demonstrate ESG leadership. Among others, American Water (i) was recognized on the 2023 Bloomberg Gender-Equality Index for the fifth consecutive year, (ii) was ranked 18th on Barron's 100 Most Sustainable U.S. Companies 2023 List, (iii) was named one of America's Most JUST companies by JUST Capital and CNBC for its continued commitment to employees, customers, communities and shareholders, (iv) earned the U.S. Department of Homeland Security's SAFETY Act designation and the EPA's WaterSense® Excellence Award, and (v) was honored as a 2023 VETS Indexes 3-Star Employer and earned the 2024 Military Friendly® Gold Employer designation for the Company's efforts in hiring and supporting U.S. military veterans.

ESG Oversight

Management and Other Supporting Roles

American Water has developed a cross-functional approach for developing and implementing its ESG strategy, principles and reporting. The function involves the direct involvement and participation by many of its business units, including without limitation, its executive leadership team, as well as environmental, health and safety, human resources, legal, finance, accounting and investor relations teams (which includes the Company's ESG reporting function).

Board of Directors Oversight

The Board of Directors oversees the Company's strategy and performance related to sustainability through four standing committees:

- The Safety, Environmental, Technology and Operations Committee has oversight and responsibility with respect to, among other things: water quality and emerging contaminants; operational matters and functions; environmental and climate-related matters; and physical security and cybersecurity.
- The Audit, Finance and Risk Committee has oversight and responsibility of, among other things: the Company's risk assessment and enterprise risk management; the Company's financial statements and accounting; the independent auditor; internal audit and controls; and ethics and compliance matters.
- The Executive Development and Compensation Committee oversees, among other things: the Company's human capital management and ID&E programs; culture and related engagement with employees; and executive development, succession and compensation.
- The Nominating/Corporate Governance Committee has oversight and responsibility with respect to, among other things: corporate governance; Board and committee membership, leadership and composition; director nominations and succession; and director education.

Alignment with Annual Performance Plan

- The Company's Annual Performance Plan ("APP"), which provides annual, performance-based cash compensation to Company employees based upon the achievement of stated business goals, is aligned with its commitment to ESG principles. Performance measures and other mandatory training requirements related to the 2023 APP included the following:
  - Environmental: Drinking Water Quality and Program Compliance;
  - Social: Customer Satisfaction, Employee Safety and Employee Diversity; and
  - Governance: The Company requires annual completion of Code of Ethics training for an employee to be eligible to receive an APP payout.

Reporting, Disclosures and Transparency

- In 2023, the Company issued its seventh Sustainability Report as well as its ESG Data Summary, which covered performance and management of key metrics within the 2022 calendar year. American Water will begin publishing its Sustainability Report annually in 2024.
- In addition, the Company issued its third annual Inclusion, Diversity & Equity ("ID&E") Report, which describes the Company's inclusion and diversity strategies, practices, policies and programs. During 2023, the Company also continued to update key ID&E metrics quarterly on its *DiversityatAW.com* website.
- As part of its continued commitment to transparency, the Company provided the following new disclosures:
  - Independent assurance of Scope 1 and Scope 2 greenhouse gas emissions for 2020, 2021 and 2022, in accordance with the International Standard for Assurance Engagements ISAE 3000 (Revised);

- EEO-1 data for 2022, marking the third consecutive reporting year that the Company has shared this information broadly;
- A comparison of the Company's employee racial/ethnic diversity and residential customer diversity; and
- A director skills and diversity matrix.

- The Company also discloses on its website its Political Contribution Policy, and, on an annual basis, information related to political contributions, certain payments to tax-exempt organizations and trade associations (including Section 501(c)(4) organizations), and lobbying expenditures.

Human Capital Resources

Overview

American Water is committed to supporting a high performing workforce, and the Company seeks to attract and retain employees who share the Company's purpose and values and represent the communities the Company serves. The Company demonstrates this commitment to its employees through its employee value proposition, called weCARE, which forms a central part of the Company's human capital resources mission and includes a focus on deeper connections, personal growth, shared purpose, flexibility and well-being. The Company believes that investing time, energy and resources in its workforce helps to generate new ideas, continuously improve operations, and provide high-quality, reliable service for the customers and communities served.

Employee Health and Safety

Safety has always been a core value at American Water and is a critical component of its business strategy. The Company's ultimate goal is to achieve zero incidents, injuries and fatalities for the Company's employees and contractors, all of whom deserve to return home from work in the same, or better, condition than when they arrived. The Company's commitment to employee health and safety includes, in addition to physical safety, both emotional safety and overall wellbeing.

To support the Company's commitment to safety, the Company's employees completed approximately 157,000 hours of employee safety training, including physical security and cybersecurity training, during 2023. To support and enhance the Company's safety culture, the Company also collaborates on local, regional, and national levels with its labor union partners. Employees are empowered to demonstrate safety leadership by utilizing a number of safety practices embedded in the Company's culture, such as the use of (i) daily and pre-meeting safety messages, (ii) "Stop Work Authority" (the power to stop working immediately and mitigate a hazard whenever an employee believes a task is unsafe), and (iii) a peer-to-peer program in which employees observe and coach each other to encourage safe work. For 2023, the Company had an ORIR injury rate of 0.86, which reflects a 4% increase in injuries compared to 2022, taking into account a 1% increase in labor hours compared to 2022. Also, the number of Days Away Restricted or Transferred ("DART") injuries increased by 43.5% compared to 2022, primarily due to an increase in strain, sprain and tear injuries, which the Company has focused on addressing through safety action plans tailored to these types of injuries. For 2023, the Company had 54 injuries and its DART rate was 0.52 (33 injuries), compared to an ORIR of 0.85 (52 injuries) and a DART rate of 0.37 (23 injuries) in 2022.

The Company continued its focus in 2023, to promote leading indicator safety activities, including pre-job safety briefings and near-miss reporting, and by supporting the achievement of internal Certified Safe Worker designations. Near-miss reports, where employees report potential hazards or incidents in a safe and secure manner, increased by 32% in 2023 over 2022, and 98% of near-miss incident corrective actions were completed, with nearly 97% completed within 30 days. The Company utilizes near-miss reporting and timely corrective actions as key measurements of employee engagement and safety performance.

This commitment to safety also includes building a culture of well-being where all employees can feel emotionally safe and live a healthy lifestyle. Through well-being education, the Company is able to encourage employees to take preventative actions and increase participation in annual well-care exams and cancer screenings. In 2023, the Company introduced an enhanced wellness program platform to increase overall engagement and to leverage the use of mobile technologies. As a result, 34% of enrolled employees reached the highest participation level in the wellness program (compared to 19% in 2022). In addition, the mobile-ready platform presented an opportunity to engage more front-line employees in a user-friendly way.

Inclusion, Diversity and Equity

The Company believes that employees are at their best when they can bring their full selves to work every day. This belief is the central component of the Company's "Beautifully Different" philosophy, which recognizes, embraces and celebrates the uniqueness of its employees. The Company also believes that having employees with different ideas, viewpoints, experiences and backgrounds improves its ability to serve a diverse customer base. To this end, the Company is committed to seeking and promoting diversity among its workforce, executive and senior management leadership teams, to align the diversity of the Company's workforce with the diversity of the communities in which it serves.

As part of its APP, the Company has included diversity goals intended to increase the representation of women in, and the ethnic and racial diversity of, the Company's workforce. The goals measure the percentage of females and racial/ethnic diversity among the Company's workforce based on voluntary self-identification.

The Company maintains its *DiversityatAW.com* website to provide transparency and communicate progress on the Company's initiatives. This website currently includes, among other information, American Water's overall strategic approach to ID&E, the Company's ID&E report, its EEO-1 data, key employee diversity metrics (which are updated quarterly), and a discussion of the Company's pay equity study and internal labor market analysis.

During 2023, the Company continued to focus on creating a culture that respects and supports inclusion, diversity and equity. At all levels, the Company strives to understand, respect, value and provide equal opportunity to each employee, and to foster an environment where employees' differences are embraced and celebrated. The Company holds as an essential concept the right of employees to proudly share their ideas and unique perspectives in an environment built on mutual respect, equity and inclusion. The Company is committed to diversity among its workforce, including its executive and senior management leadership teams, by reflecting the diversity of the communities in which the Company serves. The Company expects all leaders to lead with inclusion, diversity and equity.

During 2023, 85.0% of the Company's hiring candidate pools were diverse. Additionally, for 2023, approximately 48.2% of the Company's internal employee transfers and promotions were filled with a diverse individual, reflecting the Company's commitment to employee development and career growth as well as the Company's focus on workforce inclusion, diversity and equity. For purposes of these metrics, diversity refers to gender, race, ethnicity, disability, veteran/military spouse status, and LGBTQ+ status, all based on voluntary, self-identified employee information.

The Company maintains active partnerships with groups such as Hiring our Heroes, Military Spouse Employment Partnership, American Corporate Partners, CEO Action for Diversity and Inclusion, Disability: IN, Paradigm for Parity, and Out and Equal, to further enhance its ability to recruit and retain diverse employees. Among its recognitions, the Company was honored as a 2023 VETS Indexes 3-Star Employer and earned the 2024 Military Friendly® Gold Employer designation for the Company's efforts in hiring and supporting U.S. military veterans. American Water was also recognized as the first utility to receive the Friendly Forces 5 STAR Reservist Friendly Employer award, the highest employer rating for Guard service personnel and reservists.

The Company was also a top scorer in the 2023 Disability Equality Index for the fifth consecutive year and was recognized by 50/50 Women on Boards™ for a gender-balanced board of directors, Fortune's Modern Board 25 Ranking, as well as a Champion of Board Diversity with distinction by the Forum of Executive Women. The Company was also named a 2023 Best of the Decade honoree by Minority Business News USA and Women's Enterprise USA, and the Company was included in the 2023 Impact Shares NAACP Minority Empowerment ETF. In keeping with the Company's values, the Company has a stated "zero-tolerance" approach against discrimination, harassment or retaliation by or toward any employee, vendor, customer or other person in its workplace. All employees are required to complete anti-harassment, workplace respect and dignity, unconscious bias and inclusion and diversity training. In addition, annual Code of Ethics training is provided to all employees, which includes instructions on using the Company's anonymous hotline for reporting potential Code of Ethics violations.

The Company's five Employee Business Resource Groups ("EBRGs"), which represent diverse employee demographics (Women, African American/Black, LGBTQ+, and Disabilities/Caregivers, with Military added in 2023), strive to create measurable and long-lasting positive impacts on employees' careers, as well as the Company's culture and communities in which it serves. EBRG members participate in events and awareness activities throughout the year, which highlight the importance of building an inclusive and equitable culture. For example, employees may participate in monthly meetings with a focus on various related topics, including career development, psychological safety, cultural awareness or business objectives. EBRG members also have the opportunity to impact the communities in which the Company serves through service projects, including the annual Juneteenth Unity Walk that supported the National Alliance on Mental Illness, an organization that provides advocacy, education, and support for, and public awareness of, mental illness, and projects supported by a partnership with Girl Scout troops to promote environmental stewardship and the importance of careers in science, technology, engineering and mathematics, among others.

Total Rewards

In order to attract, retain and motivate a skilled, high-performing and diverse workforce, American Water provides a comprehensive and highly competitive Total Rewards program, including base pay, APP, long-term performance plan compensation for certain leadership positions, and a wide range of benefits consisting of, among others: medical, prescription, dental, vision, life and disability insurance coverage, a retirement savings plan, an employee stock purchase plan, educational assistance, paid time off through holidays and vacation and sick time. The Company's Total Rewards offerings also include a health and wellness program and a menu of additional voluntary benefits.

All the Company's employees, including those who are union-represented, participate in the APP to promote alignment between performance-based compensation and the achievement of the Company's short-term performance goals. In addition, as part of its commitment to providing an inclusive and equitable culture for all employees, the Company regularly reviews its success in achieving pay equity, whereby pay decisions would be based on the responsibilities, talents and skills of its employees, rather than unrelated factors such as gender, race or ethnicity.

All employees who average 30 hours or more per week are eligible for full-time benefits. Approximately 89% of all benefit eligible employees are enrolled in the Company's healthcare benefits. Full-time employees pay approximately 16% of the total premium cost of medical, dental and vision coverage. To reinforce the Company's commitment to inclusion, diversity and equity, the Company's medical benefits include coverage for applied behavior analysis, autism treatment, transgender services and hearing aids, as well as a fertility assistance benefit. In addition, in 2023, the Company increased its paid family leave benefit for employees from two weeks to six weeks.

Talent Development

The Company partners with business leaders to understand the key behaviors and competencies required to operate safely and effectively, and to meet our short and long-term business objectives. The Company applied its workforce planning process in 2023, to assess key positions across the organization, identify potential talent risks, and begin building action plans to mitigate those risks. In addition, the Company worked to create and deploy programs designed to attract, motivate, develop and retain talented employees, and foster a learning culture. In 2023, the Company enhanced its employee learning goal, which provided an opportunity for employees to complete a minimum of 25 hours of learning through a variety of methods, including: on-the-job experiences and challenges; teaching others; and traditional instructor-led or remote learning opportunities. The Company believes that personal growth is a valuable component of weCARE and is committed to supporting strategies to help its employees develop both personally and professionally. Approximately 95% of active, full-time employees hired before October 1, 2023, met the employee learning goal, resulting in approximately 328,000 hours of total training completed during the year.

In addition to required role-based training, managers assist employees to identify professional development opportunities, utilizing a framework of on-the-job learning, social learning and formal learning, to help them attempt to reach their full potential and grow their careers. To further support employees' growth and development, during 2023, the Company expanded the employee profile fields within its employee information system to allow employees to showcase their achievements, contributions and aspirations, as well as to support identification of developing and key talent.

Developing talent to provide a pathway to executive leadership is a critical priority for the Company. During 2023, the Company engaged in succession planning activities for the Company's business-critical and business-impact positions. These succession plans support the Company's business continuity plans and goals, through the identification and development of current and future leaders, and promote diversity, retention and talent development priorities.

In addition to succession planning for executive and senior leadership roles, in 2023, the Company conducted local and enterprise-wide talent reviews, identifying top and emerging talent with a focus on diversity, strengths, gaps and development needs against the critical skills needed for certain roles. Through these talent review processes, business leaders identified a pool of high-potential employees, which will assist the Company in supporting their career goals and aspirations and promote more effective employee experience and talent retention efforts. The Company also utilizes annual six-month mentoring programs designed to accelerate emerging leaders' abilities to demonstrate leadership capabilities and relationships, with the guidance of an experienced executive mentor. Finally, in 2023, the Company, together with an outside vendor, initiated a new pilot program, called Accelerate for Impact, to support development of its high-potential employees' key competencies. Accelerate for Impact provides select high-potential employees the opportunity to engage in social learning activities and to complete self-directed, online coursework that culminates with a capstone project.

Employee Experience

The Company has established its weCARE employee value proposition that focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer. weCARE is composed of five elements: deeper connections; personal growth; shared purpose; flexibility; and well-being. weCARE represents the Company's commitment to valuing its employees and building a safe, healthy and inclusive culture where employees know their value and are appreciated for their talents and commitment to supporting the Company's success. The Company offers employee programs covering each of the five components of weCARE. The Company is committed to improving the employee experience by listening to employees through focus group discussions and employee surveys, among other tools. To that end, the Company captures employee feedback, which helps the Company understand how employees are feeling and permits appropriate refinement of the Company's employee programs, benefits and support. In early 2023, the Company administered an evolved engagement survey, seeking to capture a view of the Company's employee experience, pursuant to which the Company received actionable feedback on each of these weCARE elements.

Workforce Data

As of December 31, 2023, the Company had approximately 6,500 employees. For 2023, the Company's employee turnover rate, which the Company defines as the ratio of the number of separated employees to the 12-month average headcount during 2023, was 11.5%, down from 12.3% in 2022. American Water seeks to reduce regrettable employee turnover by assessing the effectiveness of weCARE and through its efforts to foster the Company's employee experience.

As of December 31, 2023, approximately 47% of the Company's workforce was represented under 73 collective bargaining agreements with 14 different unions. In 2023, the Company renegotiated 21 collective bargaining agreements that were set to expire during the year. During 2024, 21 of the Company's collective bargaining agreements will expire in accordance with their terms and the Company expects to be able to negotiate these agreements during the year. In addition, the Company's national benefits agreement, which expires on July 31, 2028, covers approximately 3,000 of the Company's union-represented employees and their families and provides them with healthcare and other benefits. The Company also collaborates with union leadership on topics such as safety, customer, technology and employee benefits in forums such as the Joint Healthcare Committee, National Labor Management Committee and the annual Labor Management Conference. In 2023, the Company initiated a joint effort with certain of these labor unions and the Federal Mediation and Conciliation Service to host local discussions among management and union leaders with the goal of supporting and enhancing constructive relationships with these unions.

Board Oversight

The Executive Development and Compensation Committee ("ED&CC") of the Board of Directors establishes and reviews the Company's overall compensation philosophy and oversees the compensation and benefits plans and programs for its executive officers. The ED&CC oversees the process of planning for executive officer succession. It also provides oversight of the Company's inclusion, diversity and equity programs and initiatives. Further, the ED&CC is responsible for reviewing and assessing, at least annually, the Company's culture and related culture engagement, its organizational and leadership development plans and programs, and its programs designed to identify, attract and retain high-potential employees.

Information About Our Executive Officers

Presented in the table below are the name, age, offices held and business experience for each of the Company's executive officers, as of February 14, 2024:

Name	Age	Office and Experience
M. Susan Hardwick	61	**President and Chief Executive Officer.** Ms. Hardwick has served as President and Chief Executive Officer of the Company since February 2, 2022. She joined the Company in June 2019 as the Company's Executive Vice President—Finance and served as the Company's Chief Financial Officer from July 2019 until May 16, 2022. From December 7, 2021 until January 31, 2022, Ms. Hardwick also served as Interim Chief Executive Officer. Prior to joining the Company, Ms. Hardwick served as the Executive Vice President and Chief Financial Officer of Vectren Corporation, which was sold to CenterPoint Energy, Inc., an electric and natural gas utility, on February 1, 2019. Ms. Hardwick joined Vectren Corporation in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co. Ms. Hardwick is a Certified Public Accountant. Since September 2020, Ms. Hardwick has served on the Board of Directors of New Jersey Resources Corporation, a diversified energy services company, where she is currently serving a three-year term expiring in 2024, and since January 1, 2021, she has served as a member of its Audit Committee. Ms. Hardwick is also a member of the Board of Directors of the National Association of Water Companies and serves on its Executive Committee.
James H. Gallegos	63	**Executive Vice President and General Counsel.** Mr. Gallegos joined the Company on April 1, 2022 as its Executive Vice President and General Counsel. From February 2020 until April 2022, Mr. Gallegos served as the Executive Vice President, General Counsel and Corporate Secretary of Alliant Energy Corporation, a regulated, investor-owned public utility holding company, and its two utility subsidiaries (collectively, "Alliant Energy"). From February 2015 to February 2020, Mr. Gallegos served as Senior Vice President, General Counsel and Corporate Secretary of Alliant Energy. Prior to that, Mr. Gallegos served in various positions with U S WEST, Inc., which merged with Qwest Communications International Inc. in 2000.

Name	Age	Office and Experience
John C. Griffith	57	**Executive Vice President and Chief Financial Officer.** Mr. Griffith joined the Company on May 16, 2022 as its Executive Vice President and Chief Financial Officer. Prior to joining the Company, since 2014, Mr. Griffith served as Managing Director, Mergers and Acquisitions, for Bank of America Securities' Global Regulated Utilities and Renewable Energy practice. Prior to joining Bank of America Securities, from 2008 to 2014, Mr. Griffith served as the Chief Executive Officer of HighWave Energy, a renewable fuels start-up company, and from 1995 to 2008, he served in various capacities of increasing responsibility with Merrill Lynch & Co.
Melanie M. Kennedy	50	**Executive Vice President, Chief Human Resources Officer.** Ms. Kennedy has served as the Company's Executive Vice President, Chief Human Resources Officer since December 2021, and as Senior Vice President, Chief Human Resources Officer from December 2020 to December 2021. Prior to that, she served as the Company's Senior Vice President, Human Resources from March 2017 to December 2020. From August 2014 through February 2017, Ms. Kennedy served as the Company's Vice President, Human Resources, and from August 2012 to August 2014, she served as Director, Human Resources in the Company's Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.
Cheryl Norton	59	**Executive Vice President and Chief Operating Officer.** Ms. Norton has 35 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management and research. She has been serving as the Company's Executive Vice President and Chief Operating Officer since March 2021 and served as its Senior Vice President, Chief Environmental Officer from March 2020 to March 2021. She was also the Company's Senior Vice President, Eastern Division and President of its New Jersey subsidiary from March 2019 to March 2021. Prior to that, Ms. Norton served as President of the Company's Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.

Each executive officer is elected annually by the Board of Directors and serves until their respective successor has been elected and qualified or their earlier death, resignation or removal.

Available Information

The Company is subject to the reporting requirements of the Exchange Act. The Company files or furnishes annual, quarterly and current reports, proxy statements and other information with the SEC. Readers may obtain a copy of the Company's Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q or its Current Reports on Form 8-K, or any amendments to them, that are filed with or furnished to the SEC, free of charge, from the Company's Investor Relations website, *https://ir.amwater.com,* as soon as reasonably practicable after the Company files or furnishes the information to the SEC.

The Company maintains a website at *https://amwater.com*. Information contained on the Company's website and its Investor Relations website, including its Sustainability Report, its Inclusion, Diversity & Equity Annual Report, and other reports or documents, and the information and data on the Company's diversity website, *https://Diversityataw.com*, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. The Company recognizes its websites as key channels of distribution to reach public investors and as a means of disclosing information to comply with SEC Regulation FD.

The Corporate Governance Guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding the Company's corporate governance, are available on the Company's Investor Relations website, and will be made available, without charge, in print to any shareholder who requests such documents from the Company's Investor Relations Department in writing by mail at American Water Works Company, Inc., 1 Water Street, Camden, NJ, 08102.

ITEM 1A. RISK FACTORS

We operate in a market and regulatory environment that involves significant risks, many of which are beyond our control. In addition to the other information included or incorporated by reference in this Annual Report on Form 10-K, the following material factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position, results of operations, cash flows and liquidity.

Risks Related to Our Industry and Business Operations

Our Regulated Businesses are subject to extensive regulation by state PUCs and other regulatory agencies, which significantly affects our business, financial condition, results of operations and cash flows. Our Regulated Businesses also may be subject to fines, penalties and other sanctions for an inability to meet these regulatory requirements.

Our Regulated Businesses provide water and wastewater services to our customers through subsidiaries that are subject to regulation by state PUCs. This regulation affects the rates we charge our customers and has a significant impact on our business and operations. Generally, the state PUCs authorize us to charge rates that they determine are sufficient to recover our prudently incurred operating expenses, including, but not limited to, operating and maintenance costs, depreciation, financing costs and taxes, and provide us with the opportunity to earn an appropriate rate of return on invested capital.

Our ability to successfully implement our business plan and strategy depends on the rates authorized by the various state PUCs. We periodically file rate increase applications with state PUCs. The ensuing administrative process may be lengthy and costly. Our rate increase requests may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. Moreover, a PUC may not approve a rate request in an amount that is sufficient to:

- recover our cost of operations, including: purchased water; chemicals; and fuel, power and other commodities used in our operations;
- recover our operational labor and labor-related expenses, including without limitation costs and expenses associated with our pension and other post-employment benefits;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

Approval by the PUCs is also required in connection with other aspects of our Regulated Businesses, which are required to have numerous permits, approvals and certificates from the PUCs that regulate their businesses and authorize acquisitions, dispositions, debt and/or equity financing, and, in certain cases, affiliated transactions. Some state PUCs are empowered to impose financial penalties, fines and other sanctions for non-compliance with applicable rules and regulations. Although we believe that each utility subsidiary has obtained or sought renewal of the material permits, approvals and certificates necessary for its existing operations, we are unable to predict the impact that future regulatory activities may have on our business.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if the rates approved are sufficient, we face the risk that we will not achieve the rates of return on equity permitted by state PUCs. This could occur if certain conditions exist, including, but not limited to, (i) water usage is less than the level anticipated in establishing rates, (ii) customers increase their conservation efforts, (iii) we experience unusual or emergent situations, events or conditions, (iv) we experience a significant increase in customers without recovery of the operating and other costs associated with serving them, or a decrease in customers that causes a decrease in operating revenue, or (v) our investments or expenses prove to be higher than the levels estimated in establishing rates. It may be difficult to predict the outcome or impact of these events on us or the actions that may be taken by the PUCs or other governmental authorities in response thereto.

Our operations and the quality of water we supply are subject to extensive and increasingly stringent environmental, water quality and health and safety laws and regulations, including with respect to contaminants of emerging concern, compliance with which could impact both our operating costs and capital expenditures, and violations of which could subject us to substantial liabilities and costs, as well as damage to our reputation.

Our water and wastewater operations are subject to extensive federal, state and local laws and regulations. These requirements include, among others, CERCLA, the Clean Water Act, the Safe Drinking Water Act, the LCR (as amended), and each of their implementing rules and regulations, as well as other federal and state requirements. For example, state PUCs and environmental regulators set conditions and standards for the water and wastewater services we deliver. If the water or wastewater services we provide to our customers do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves

providing water service for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry. In addition, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. We are also required to obtain various environmental permits from regulatory agencies for our operations.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations and their enforcement, have become more stringent over time, and new or stricter requirements, such as the anticipated EPA drinking water regulations for PFAS, the LCRR and the proposed LCRI, could increase our costs. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, there can be no guarantee that the various state PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity. We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination, including potential releases of hazardous chemicals, such as gaseous chlorine, which we use to treat water, or at off-site locations where we have disposed of residual waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to contaminants of emerging concern, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). Examples of sources of contaminants include, but are not limited to, newly created chemical compounds (including, for example, manufactured nanomaterials); human and veterinary products; PFAS; bacteria, microbes, viruses, amoebae and other pathogens; and residual by-products of disinfection. We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants, and our role is to provide service that meets these standards, if any. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for a contaminant in the absence of a regulatory standard. Furthermore, given the rapid pace at which these contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system or supplies, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe these contaminants will continue to form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

Limitations on availability of water supplies or restrictions on our use of water supplies because of government regulation or action may adversely affect our access to sources of water, our ability to supply water to customers or the demand for our water services.

Our ability to meet the existing and future demand of our customers depends on the availability of an adequate supply of water. As a general rule, sources of public water supply, including rivers, lakes, streams, groundwater aquifers and recycled water sources, are held in the public trust and are not generally owned by private interests. As a result, we typically do not own the source water that we use in our operations, and the availability of our water supply is established through allocation rights (determined by legislation or court decisions) and passing-flow requirements set by governmental entities or by entering into water purchase agreements. These requirements, which can change from time to time, and vary by state or region, may adversely impact our water supply. Supply issues, such as drought, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. If we are unable to secure available or alternative sources of water, our business, financial condition, results of operations and cash flows could be adversely affected.

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with the cease and desist orders issued by the SWRCB in July 1995 and October 2009 (the "1995 Order," the "2009 Order" and, as amended in July 2016, the "2016 Order" and, collectively, the "Orders") that require Cal Am to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule that terminated on December 31, 2021. See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs or obligations, including fines and penalties against Cal Am in the event of noncompliance with the Orders, which could have a material adverse effect upon us and our business, results of operations and cash flows.

Service disruptions caused by severe weather conditions, climate variability patterns or natural or other disasters may disrupt our operations or reduce the demand for our water services, which could adversely affect our financial condition, results of operations, cash flows and liquidity.

Service interruptions due to severe weather, climate variability patterns and natural or other events are possible across all our businesses. These include, among other things, storms, freezing conditions, high wind conditions, hurricanes, tornadoes, earthquakes, landslides, drought, wildfires, coastal and intercoastal floods or high water conditions, including those in or near designated flood plains, pandemics and epidemics, severe electrical storms, sinkholes, solar flares and chemical spills or other contamination causing temporary unavailability of our source water supplies. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. Tariffs in place or cost recovery proceedings with respect to our Regulated Businesses may not provide reimbursement to us, in whole or in part, for any of these impacts.

Government restrictions on water use may also result in decreased use of water services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal and other drought conditions that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. Responses may range from voluntary to mandatory water use restrictions, rationing restrictions, water conservation regulations, and requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot be certain that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after a drought has ended and restrictions are lifted, which could adversely affect our business, financial condition, results of operations and cash flows.

Climate variability may cause increased volatility in weather and may impact water usage and related revenue or require additional expenditures, all of which may not be fully recoverable in rates or otherwise.

The issue of climate variability is receiving increasing attention nationally and worldwide. There is consensus among climate scientists that there will be worsening of weather volatility in the future associated with climate variability. Many climate variability predictions present several potential challenges to water and wastewater utilities, including us, such as:

- increased frequency and duration of droughts;
- increased precipitation and flooding;
- increased frequency and severity of storms and other weather events;
- challenges associated with changes in temperature or increases in ocean levels;
- potential degradation of water quality;
- decreases in available water supply and changes in water usage patterns;
- increases in the number, length and severity of disruptions in service;
- increased costs to repair damaged facilities; or
- increased costs to reduce risks associated with the increasing frequency and severity of natural events, including to improve the resiliency and reliability of our water and wastewater treatment and conveyance facilities and systems.

Because of the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity. Furthermore, both Federal and state laws and regulations have been enacted or proposed that seek to reduce or limit greenhouse gas emissions and require or would require additional reporting, monitoring and disclosure, and these regulations may become more pervasive or stringent in light of changing governmental agendas and priorities, although the exact nature and timing of these changes is uncertain. Although some or all potential expenditures and costs associated with the impact of climate variability and related laws and regulations on our Regulated Businesses could be recovered through rates, infrastructure replacement surcharges or other regulatory mechanisms, there can be no assurance that state PUCs would authorize rate increases to enable us to recover such expenditures and costs, in whole or in part.

The current regulatory rate setting process may result in a significant delay, also known as "regulatory lag," from the time that we invest in infrastructure improvements, incur increased operating expenses as a result of inflation or other factors, incur increased cost of capital, including as a result of increasing short- and long-term interest rates, or experience declining water usage, to the time at which we can seek to address these events in general rate cases; our inability to mitigate or minimize regulatory lag or the impacts thereof could adversely affect our business.

There is typically a delay, known as "regulatory lag," between the time our Regulated Businesses make a capital investment or incur an operating expense increase, including as a result of inflation or other factors, and the time when those costs are reflected in rates. In addition, billings permitted by state PUCs typically are, to a considerable extent, based on the volume of water used in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to mitigate or reduce regulatory lag or the impacts thereof could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

We endeavor to mitigate or reduce regulatory lag by pursuing constructive regulatory practices. For example, two of our states have approved revenue stability mechanisms that adjust rates periodically to ensure that a utility's revenue will be sufficient to cover its costs regardless of sales volume, including recognition of declining sales resulting from reduced usage, while providing an incentive for customers to use water more efficiently. In addition, 10 of our state PUCs permit rates to be adjusted outside of the general rate case process through surcharges that address certain capital investments, such as replacement of aging infrastructure. These surcharges are adjusted periodically based on factors such as project completion or future budgeted expenditures, and specific surcharges are eliminated once the related capital investment is incorporated in new PUC-approved rates. Furthermore, in setting rates, nine of our state PUCs allow us to use future test years, which extend beyond the date a general rate case is filed to allow for current or projected revenues, expenses and investments to be reflected in rates on a more timely basis. Other examples of such regulatory practices include expense mechanisms that allow us to increase rates for certain cost increases that are beyond our control, such as purchased water costs, property or other taxes, or costs for power or other fuel, conservation, chemical or other expenditures. These mechanisms enable us to adjust rates in less time after costs have been incurred than would be the case under a general rate case process without the mechanisms.

While these mechanisms have mitigated or reduced regulatory lag in several of our regulated states, we continue to seek approval of regulatory practices to mitigate or reduce regulatory lag in those jurisdictions that have not approved them. Furthermore, PUCs may fail to adopt new surcharges and existing mechanisms may not continue in their current form, or at all, or we may be unable or become ineligible to continue to utilize certain of these mechanisms in the future. Although we intend to continue our efforts to seek state PUC approval of constructive regulatory practices to mitigate or reduce regulatory lag, our efforts may not be successful, or even if partially successful, our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected.

Changes in laws and regulations can significantly and materially affect our business, financial condition, results of operations, cash flows and liquidity.

The impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to our Regulated Businesses is uncertain. Changes in laws or regulations, the imposition of additional laws and regulations, changes in enforcement practices of regulators, government policies or court decisions can materially affect our operations, results of operations and cash flows. Certain of the individuals who serve as regulators are elected or political appointees. Therefore, elections which result in a change of political administration or new appointments may also result in changes of the individuals who serve as regulators and changes in the policies of the regulatory agencies that they serve. New laws or regulations, new interpretations of existing laws or regulations, changes in agency policy, including those made in response to shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

- making it more difficult for us to increase our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases and other regulatory proceedings;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets, or issue long-term debt or equity, or making it less cost-effective for us to do so;
- negatively impacting, among other things: (i) tax rates or positions or the deductibility of expenses under federal or state tax laws, (ii) the availability or amount of, or our ability to comply with the terms and conditions of, tax credits or tax

abatement benefit, (iii) the amount of taxes owed or paid, including as a result of the Corporate Alternative Minimum Tax provisions, (iv) the timing of tax effects on rates or (v) the ability to utilize our net operating loss carryforwards;

- increasing the associated costs of, and/or of difficulty complying with, environmental, health, safety, consumer privacy, water quality, and water quality accountability laws and regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via condemnation, eminent domain or other similar process, or for governmental agencies or private plaintiffs to assess liability against us for damages under these or similar processes;
- increasing the costs and/or difficulty of complying with proposed changes to federal contractor affirmative action audits;
- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of a CPCN issued to us by a state PUC or other governmental authority.

Regulatory and environmental risks associated with the collection, treatment and disposal of wastewater may impose significant costs and liabilities.

The wastewater collection, treatment and disposal operations of our subsidiaries are subject to substantial regulation and involve environmental risks. If collection, treatment or disposal systems fail, overflow, or do not operate properly, untreated or inadequately treated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, financial condition, results of operations and cash flows. Some of our wastewater systems have commercial and industrial customers that are subject to specific limitations on the type, character and concentration of the wastewater they are permitted to discharge into our systems. The failure by these commercial and industrial customers to comply with their respective discharge requirements could, in turn, negatively impact our operations, damage our facilities or cause us to exceed applicable discharge limitations and requirements. Liabilities resulting from such exceedance events could adversely and materially affect our business, financial condition, results of operations and cash flows.

A loss of one or more large industrial or commercial customers could have a material adverse impact upon the results of operations of one or more of our Regulated Businesses.

Adverse economic conditions may cause our customers, particularly industrial and large commercial customers, to curtail operations. A curtailment of operations by such a customer typically results in reduced water usage by that customer. In more severe circumstances, the decline in usage could be permanent. Any decrease in demand resulting from difficult economic conditions affecting these customers could adversely affect our financial condition and results of operations. Tariffs in place with respect to our Regulated Businesses may not reimburse us, in whole or in part, for any of these impacts.

Our Regulated Businesses require significant capital expenditures and may suffer if we fail to secure appropriate funding to make investments, experience increases in short- and long-term interest rates or if we experience delays in completing major capital expenditure projects.

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2023, we invested $2.6 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will continue into the future and, we believe, will increase. If we are not able to obtain sufficient financing through current or future sources of liquidity, we may be unable to maintain our existing property, plant and equipment, fund our capital investment strategies or expand our rate base to enable us to meet our growth targets. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of supply chain interruptions, construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, legal and regulatory challenges, or other obstacles. Each of these outcomes could adversely affect our business, financial condition, results of operations and cash flows.

Aging infrastructure may lead to service disruptions, property damage and increased capital expenditures and O&M expenses and other costs, all of which could negatively impact our financial results.

We have risks associated with aging infrastructure, including water and sewer mains, pumping stations and water and wastewater treatment facilities. Additionally, we may have limited information regarding buried and newly acquired assets, which

could challenge our ability to conduct efficient asset management and maintenance practices. Assets that have aged beyond their expected useful lives may experience a higher rate of failure. Failure of aging infrastructure could result in increased capital expenditures and O&M expenses and other costs. In addition, failure of aging infrastructure may result in property damage, and in safety, environmental and public health impacts. To the extent that any increased costs or expenditures are not fully recovered in rates, our results of operations, liquidity and cash flows could be negatively impacted.

Seasonality could adversely affect the volume of water sold and our revenues.

The volume of water we sell during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, the volume of water sold tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the amount of water we sell may decrease and adversely affect our revenues.

Two of our jurisdictions, California and Illinois, currently have revenue stability mechanisms that permit us to recover the revenues authorized in a general rate case, regardless of sales volume. Revenue stability mechanisms are designed to recognize declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In those jurisdictions that have not adopted a revenue stability mechanism, our operating results could continue to be affected by seasonality.

Contamination of water supplies or our water service provided to our customers could result in service limitations and interruptions and exposure to substances not typically found in potable water supplies, and could subject us and our subsidiaries to reductions in usage and other responsive obligations, government enforcement actions, damage to our reputation and private litigation.

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, may be subject to contamination, including, among other items, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from manufactured sources (such as perchlorate, perfluorinated and polyfluorinated compounds, methyl tertiary butyl ether, 1,4-dioxane, lead and other materials, or chemical spills or other incidents that result in contaminants entering the water source), and possible terrorist attacks or other similar incidents. In addition, new categories of contaminants continue to emerge in the water industry. If one of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) limiting use of the water supply under a “Do Not Use” protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply, in whole or in part, potentially impacting basic sanitation and fire protection needs. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through the expansion of our current treatment facilities or the development of new sources of supply or new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms, and any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies. See Item 3—Legal Proceedings for information on certain pending lawsuits related to interruptions of water service.

Since we are engaged in the business of providing water service to our customers, contamination of the water supply, or the water service provided to our customers, could result in substantial injury or damage to our customers, employees or others and we could be exposed to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and may be brought by our customers or third parties. Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur. We may not be protected from these claims or negative impacts of these claims in whole or in part by tariffs or other contract terms. Negative impacts to our reputation may occur even if we are not liable for any contamination or other environmental damage or the consequences arising out of human exposure to contamination or hazardous substances within the water supply or distributed finished drinking water. In addition, insurance coverage may not cover all or a portion of these losses, and are subject to deductibles and other limitations. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or sanctions.

Our business and operations have a large direct and indirect customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water service, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, content, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment arising out of our operations may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less

favorable legislative, regulatory and economic outcomes, as well as increased regulatory investigations or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include negative investigative conclusions and/or findings, the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our long-term contracts related to MSG, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

The failure of, or the requirement to repair, upgrade or dismantle, any of our dams may adversely affect our financial condition, results of operations, cash flows and liquidity.

The properties of our Regulated Businesses segment include 74 dams, the majority of which are earthen dams. The failure of any of these dams could result in personal injury and property damage, including without limitation downstream property damage, for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

We also are required from time to time to decommission, repair or upgrade the dams that we own. The cost of such repairs or upgrades can be and has been material. The federal and state agencies that regulate our operations may adopt rules and regulations requiring us to dismantle our dams, which also could entail material costs. Although in most cases the PUC has permitted recovery of expenses and capital investment related to dam rehabilitation, we might not be able to recover costs of repairs, upgrades or dismantling through rates in the future. The inability to recover these costs or delayed recovery of the costs as a result of regulatory lag can affect our financial condition, results of operations, cash flows and liquidity.

Any failure of our network of water and wastewater pipes, water mains and water reservoirs could result in losses and damages that may affect our financial condition and reputation.

Our operating subsidiaries distribute water and collect wastewater through an extensive network of pipes, water mains and storage systems located across the United States. A failure of major pipes, mains or reservoirs could result in injuries, property and other damage for which we may be liable. The failure of major pipes, mains and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water and wastewater delivery requirements prescribed by government regulators, including state PUCs with jurisdiction over our operations, and adversely affect our financial condition, results of operations, cash flows, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future. Moreover, to the extent such business interruptions or other losses are not covered by insurance, they may not be recovered through rate adjustments.

An important part of our growth strategy is the acquisition of water and wastewater systems, which involves risks, including competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers, which may hinder or limit our ability to grow our business.

An important element of our growth strategy is the acquisition and optimization of water and wastewater systems to broaden our current, and move into new, service areas. We may not be able to acquire other systems or businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates, and whether or not any particular acquisition is successfully completed, these activities are expensive and time consuming and are subject to the availability of capital and personnel resources to complete such acquisitions.

As consolidation activity increases in the water and wastewater industries and competition from other regulated utilities, governmental entities and other strategic and financial buyers continues to increase, the prices for suitable acquisition candidates may increase and our ability to expand through acquisitions may otherwise be limited.

The negotiation and execution of potential acquisitions as well as the integration of acquired systems or businesses with our existing operations could require us to incur significant costs and cause diversion of our management’s time and resources. Future acquisitions by us could result in, among other things:

- unanticipated capital expenditures;
- unanticipated acquisition-related expenses;
- incurrence or assumption of debt, contingent liabilities and environmental liabilities and obligations, including liabilities that were unknown or undisclosed at the time of acquisition;

- failure to recover acquisition adjustments or premiums due to unfavorable decisions by PUCs and other governmental authorities;
- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly and/or annual results;
- failure to realize anticipated or perceived benefits and synergies, such as desired return on equity or profitability, cost savings and revenue enhancements; and
- difficulties in integrating or assimilating acquired systems' operations, personnel, benefits, services and systems and water quality, cybersecurity and infrastructure protection measures.

Some or all of these items could have a material adverse effect on our business. In addition, state laws on acquisition treatment or PUC interpretation thereof may affect our ability to recover costs associated with our investments in newly-acquired water and wastewater systems and any difficulties we encounter in the negotiation, execution or integration process could have a material adverse impact on our results of operations, reduce our net income and profitability or adversely affect our internal control over financial reporting.

Our Regulated Businesses are subject to condemnation and other proceedings through eminent domain or other similar authorized process, which could materially and adversely affect their results of operations and financial condition.

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. A municipality, other government subdivision or a citizen group may seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition. For example, on December 15, 2023, the MPWMD filed eminent domain litigation against Cal Am in Monterey County Superior Court with respect to the Monterey system assets. See Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets — Potential Condemnation for additional information regarding this matter.

Furthermore, the law in certain jurisdictions in which our Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if the public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has disallowed recovery in rates of losses incurred by these utilities as a result of such lawsuits.

Contesting an exercise of condemnation, eminent domain or other similar process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management. Moreover, our efforts to resist the condemnation, eminent domain or other process may not be successful, which may require us to sell the operations at issue in a condemnation proceeding or to pay a private property owner compensation for the property damage suffered. If a municipality or other government subdivision succeeds in acquiring the assets of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant charges. Any of these outcomes may have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

We may be subject to physical and cyber attacks.

As operators of critical infrastructure, we may face a heightened risk of physical and cyber attacks from internal or external sources. Our water and wastewater systems may be vulnerable to disability or failures as a result of physical or cyber attacks, acts of war or terrorism, vandalism or other causes. Our operational and technology systems throughout our businesses may be vulnerable to unauthorized external or internal access, due to hacking, viruses, acts of violence, war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our sensitive information, could also be targets of cyber attacks and unauthorized access to their operational or technology systems. While we have instituted what we believe are reasonable and appropriate safeguards to protect our operational and technology systems, those safeguards may not always be effective due to the evolving nature of cyber attacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful to prevent or mitigate a cyber attack.

If, despite our security measures, a significant physical attack or cyber breach occurred, our operations could be disrupted, property damaged, and customer and other confidential information lost or stolen; we could experience substantial loss of revenues, response costs and other financial loss; we could suffer a loss or redirection of management time, attention and resources from our regular business operations; we may be subject to increased regulatory requirements; and we may experience litigation and damage to our reputation, any of which could have a negative impact on our business, results of operations and cash flows. Applicable laws and regulations or contracts may require us to report cybersecurity incidents or breaches or securely maintain confidential data in the event that we experience a physical or cyber security incident. Our efforts to comply with such laws and regulations or contractual provisions, or our failure to do so, may cause us to incur costs related to legal claims or proceedings and regulatory fines or penalties. These types of events, and their resulting impacts, either to our facilities or assets, those of third parties, or the industry in general, could also cause us to incur additional security and insurance related costs. In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that have been and will continue to be targets of cyber attacks. Any theft, loss or fraudulent use of customer, employee or proprietary data as a result of a cyber attack on us or a vendor could also subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

We have obtained insurance to provide coverage for a portion of the losses and damages that may result from a physical attack, cyber attack or a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss or damage caused by an attack or a breach. In the future, adequate insurance may not be available at rates that we believe are reasonable, and the costs of responding to and recovering from a physical attack, cyber attack or security breach incident may not be covered by insurance or recoverable in rates.

Our business is subject to complex and evolving federal, state and local laws and regulations regarding consumer privacy and the protection or transfer of data relating to individuals, which could result in, among other things, public disclosure of incidents, private or governmental claims or litigation against us, changes to our business practices, monetary penalties, reputational harm and increased cost of operations.

Laws and regulations are changing and increasing rapidly with respect to data and consumer privacy, security and protection. We are subject to an increasing number of complex and continually evolving data and consumer privacy, security and protection laws and regulations administered by various federal, state and local governments, including, for example, the California Privacy Rights Act, together with its amendments and implementing regulations, the Virginia Consumer Data Protection Act and the Cyber Incident Reporting for Critical Infrastructure Act of 2022. New laws and regulations may require us to disclose incidents to authorities, regulators and/or the public, when we otherwise may not have been required to disclose such incidents under previous laws and regulations, and such disclosures could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Federal and state governments have also adopted or are proposing other limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information. In addition, the Federal Trade Commission and state attorneys general are applying federal and state consumer protection laws to impose standards on the collection, use and dissemination of data. Moreover, we expect that current laws, regulations and industry standards concerning privacy, data protection and information security in the United States will continue to evolve and increase, and we cannot determine the impact that compliance with such future laws, regulations or standards will have on us or on our business. Any failure or perceived failure by us to comply with current or future federal, state, or local data or consumer privacy or security laws, regulations, policies, guidance, industry standards, or legal obligations, or any incident resulting in unauthorized access to, or the acquisition, release, or transfer of, personally identifiable information or other data relating to our customers, employees and others, may result in private or governmental enforcement actions, litigation or other claims against us, fines and penalties, or adverse perception or publicity about us and our businesses. These events could also require us to change our business practices, and the events or such changes may result in significant diversions of resources, distract management and divert the focus and attention of our security and technical personnel from other critical activities. Any of the foregoing consequences could have a material adverse effect on our business, reputation, financial condition, results of operations, cash flows and liquidity.

We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

We maintain insurance coverage, some of which may be self-insured, as part of our overall legal and risk management strategy to minimize potential liabilities arising from our operations. Our insurance programs have varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker's compensation, employer's liability, general liability, cybersecurity, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage, or for which we are self-insured and must therefore utilize our own financial resources to cover such losses. Although in the past we have been generally able to obtain insurance coverage related to our business, there can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

We rely on technology to facilitate the management of our business as well as our customer and supplier relationships, and a failure or disruption of implemented technology could materially and adversely affect our business.

Technology is an integral part of our business and operations, and any failure or disruption of the technology or related systems we implement could significantly limit our ability to manage and operate our business effectively and efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. We use technology systems to, among other things, bill customers, process orders, provide customer service, manage certain plant operations and construction projects, create and manage our financial records and other operational data, track assets, remotely monitor our plants and facilities, and manage human resources, supply chain, inventory, and accounts receivable collections. As a specific example, we depend on water meters to record and communicate the amount of water our customers use, which information in turn is used to generate customer bills, and in recent years, we have experienced greater than expected performance failures with certain water meters used in the Regulated Businesses. When failures occur, we work with meter manufacturers to determine and address the cause of such failures. While these and other failures that we have experienced have not to date had a material adverse effect on our operations, there can be no assurance that efforts to address performance failures or other issues we may experience with water meters or other implemented technology will be successful in the future and that these or future failures of water meters or other technological issues will not have a material adverse effect on us.

Although we do not believe that the technology we have implemented or may in the future implement is at a materially greater risk of failure than that used by other similar organizations, our technology and operations that use or rely on technology remain vulnerable to damage or interruption from, among other things: failure or interruption of the technology or its related systems; loss or failure of power, internet, telecommunications or data network systems; and operator error or improper operation by, the negligent or improper supervision of, or the intentional acts of, employees, contractors and other third parties. Any or all of these events could have a material adverse impact on our business, results of operations, financial condition and cash flows.

An inability to successfully develop and implement new technologies poses substantial risks to our business and operational excellence strategies, which could have a material adverse effect on our business and financial results.

A significant part of our long-term strategic plan focuses on safety, operational excellence, cost and expense efficiency (including O&M expense efficiency), water quality and affordability, asset and capital management and the customer experience. For example, we have made and plan to continue to make significant investments in developing, deploying, integrating, enhancing and maintaining customer-facing technologies, applications to support field service and customer service operations, water source sensor and evaluation technologies, meter data management and analytics, and intelligent automation technologies. There can be no assurance that we will be successful in designing, developing, deploying, integrating or maintaining these new technologies. Because these efforts can be long-term in nature, these new technologies may be more costly or time-consuming than expected to design, develop, integrate and complete and may not ultimately deliver the expected or desired benefits upon completion. While we have and will continue to seek to recover costs and earn a return on capital expenditures with respect to the costs and expenses of development and deployment of these new technologies in our Regulated Businesses, there can be no assurance that we will be able to do so in every instance or at all, and our inability to do so may adversely affect our ability to achieve intended cost and expense, including O&M expense, efficiencies or other key performance results and, ultimately, could materially and adversely impact our business, financial condition, results of operations and cash flows.

Our inability to efficiently upgrade and improve our operational and technology systems, or implement new systems, could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. We have implemented, and will continue to implement, technology to improve our business processes and customer interactions (including, without limitation, in connection with the installation or upgrade of our enterprise resource planning systems, and to support our cybersecurity program), and have installed new, and upgraded existing, technology systems. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

Disruptions in our supply chain related to goods, such as pipe, chemicals, power and other fuel, equipment, water and other raw materials, and services, could adversely impact our operations and our ability to serve our customers, as well as our financial results.

Our ability to serve our customers and operate our business in compliance with regulatory requirements is dependent upon purchasing or securing necessary goods and services from our suppliers and vendors. These items include but are not limited to

contracted services, chemicals, pipe, valves, hydrants, fittings, equipment (including personal protective equipment), water, and power and other fuel. Examples of supply chain disruptions include reduced quantities of goods available in the marketplace, delays in manufacturing or shipping goods, labor shortages at our suppliers or vendors, natural or other disasters and operational impacts to some of our suppliers or vendors. Disruptions in our supply chain related to goods and services have occurred and we anticipate will continue to occur into the foreseeable future.

Supply chain disruptions may cause us to be unable to purchase or otherwise obtain needed goods or services at a reasonable price or at all, and may significantly increase the price of goods and services we may obtain from suppliers and vendors. This, in turn, may adversely impact our operations and our ability to serve our customers in compliance with regulatory requirements, as well as our associated results of operations, cash flows and financial condition. While we attempt to plan for and have contingencies in place to address supply chain disruptions, our mitigation efforts may not be successful or may have further negative impacts on us.

Our business has inherently dangerous work sites. If we fail to maintain safe work sites, we may experience workforce or customer injuries or loss of life, and be exposed to financial losses, including penalties and other liabilities.

Safety is a core value and a strategy at American Water. Our safety performance and progress to our ultimate desired goal of zero injuries are critical to our ability to carry out our operations effectively and to serve our customers, and thereby, to support our reputation. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public.

At our business sites, including construction and maintenance sites, our employees, contractors and others are often in close proximity to large mechanical operating equipment, moving vehicles, pressurized water, electric and gas utility lines, below grade trenches and vaults, electrical and pneumatic hazards, fall from height hazards, suspended loads, hazardous chemicals and other regulated materials. On many sites, we are responsible for safety and, accordingly, must implement important safety procedures and practices above governmental regulatory requirements. As an essential business that provides water and wastewater services, we are focused on the health and safety of our employees, contractors, vendors, customers and others who work at or visit our worksites. If the procedures we implement are ineffective or are not followed by our employees, contractors or others, or we fail to implement procedures, our employees, contractors and others may experience illness, or minor, serious or fatal injuries. Unsafe work sites have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the delivery, handling, storage, use and disposal of hazardous chemicals, which, if improperly delivered, handled, stored, used or disposed of, or if the location and identification of these chemicals are not reported accurately or timely, serious injury, death, environmental damage or property damage could result, and we could be subjected to fines, penalties or other liabilities. We are also subject to various environmental, transportation and occupational health and safety regulations. Although we maintain functional employee groups whose primary purpose is to implement effective environmental health and safety work procedures and practices throughout our organization, including construction sites and operating facilities, the failure to comply with these regulations or procedures could subject us to liability.

Work stoppages and other labor relations matters could adversely affect our results of operations and the ability to serve our customers.

As of December 31, 2023, approximately 47% of our workforce was represented by unions, and we had 73 collective bargaining agreements in place with 14 different unions representing our unionized employees. These collective bargaining agreements, 21 of which are scheduled to expire during 2024, are subject to periodic renewal and renegotiation. We may not be able to successfully renew or renegotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations, negatively impact the ability to serve our customers, and result in higher labor costs, which could adversely affect our reputation, financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Financial, Economic and Market-Related Risks

Our indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flows to satisfy our liquidity needs.

As of December 31, 2023, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was $12.4 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;

- exposing us to interest rate risk with respect to the portion of our indebtedness that bears interest at variable rates;
- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations;
- impairing our access to the capital markets for debt and equity;
- requiring that an increasing portion of our cash flows from operations be dedicated to the payment of the principal and interest on our debt, thereby reducing funds available for future operations, dividends on our common stock or capital expenditures;
- limiting our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and
- placing us at a competitive disadvantage compared to those of our competitors that have less debt.

During 2023, we utilized existing sources of liquidity, such as our current cash balances, cash flows from operations and borrowings under our commercial paper program, to meet our short-term liquidity requirements. We believe that existing sources of liquidity will be sufficient to meet our cash requirements for the foreseeable future. In order to meet our capital expenditure and other operational needs, however, we may be required to borrow additional funds under the revolving credit facility. In the event of a sustained market deterioration, we may need to obtain additional sources of liquidity, which would require us to evaluate available alternatives and take appropriate actions. Moreover, additional borrowings may be required to repay or refinance outstanding indebtedness. Debt maturities and sinking fund payments in 2024, 2025 and 2026 will be $475 million, $619 million and $1,478 million, respectively. We can provide no assurance that we will be able to access the debt or equity capital markets on favorable terms, if at all, to repay or refinance this debt. Moreover, as new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to repay or refinance existing debt on favorable terms.

We have in the past entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly “mark to market” valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

Our ability to pay our expenses and satisfy our debt service obligations depends in significant part on our future performance, which will be affected by the financial, business, economic, competitive, legislative (including tax initiatives and reforms, and other similar legislation or regulation), regulatory and other risk factors described in this section, many of which are beyond our control. If we do not have sufficient cash flows to pay the principal and interest on our outstanding debt, we may be required to refinance all or part of our existing debt, reduce capital investments, sell assets, borrow additional funds or sell additional equity. In addition, if our business does not generate sufficient cash flows from operations, or if we are unable to incur indebtedness sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to changes in our business, which could cause our financial condition, operating results and prospects to be affected materially and adversely.

Our inability to access the debt or equity capital or financial markets or other events could affect our ability to meet our long-term commitments or liquidity needs at reasonable cost, which could adversely affect our financial condition and results of operations.

In addition to cash from operations, during 2023, we relied on a $2.75 billion revolving credit facility, a $2.60 billion commercial paper program, and the debt and equity capital markets, to satisfy our liquidity needs. Historically, we have regularly used our commercial paper program rather than the revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally could obtain in the commercial paper market. As of December 31, 2023, there were no outstanding borrowings under the revolving credit facility, $180 million of commercial paper outstanding and $75 million in outstanding letters of credit. There can be no assurance that we will be able to continue to access this commercial paper program or revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

Our ability to comply with covenants in our revolving credit facility and our other consolidated indebtedness is subject to various risks and uncertainties, including events beyond our control. For example, under the terms of the revolving credit facility, our consolidated debt cannot exceed 70% of our consolidated capitalization, as determined under the terms of the facility. If our equity were to decline or debt were to increase to a level that causes us to exceed this limit, lenders under the facility would be entitled to refuse any further extension of credit and to declare all of the outstanding debt thereunder immediately due and payable. Events that could cause a reduction in equity include, without limitation, a significant write-down of our goodwill. To avoid such a default, a waiver or renegotiation of this covenant would be required, which would likely increase funding costs and could result in additional covenants that would restrict our operational and financing flexibility. Even if we are able to comply with this or other covenants, the limitations on our operational and financial flexibility could harm our business by, among other things, limiting our ability to incur

indebtedness or reduce equity in connection with financings or other corporate opportunities that we may believe would be in our best interests or the interests of our shareholders to complete.

As provided in our five-year capital plan, in order to meet our capital expenditure needs, we intend to issue a combination of short-term and long-term debt securities and/or additional equity shares of common stock. Disruptions in the debt or equity capital markets or changes in our credit ratings or other events could limit our ability to access capital on terms favorable to us or at all. While the lending banks that participate in the revolving credit facility have to date honored their commitments under those facilities, disruptions in the credit markets, changes in our credit ratings, or deterioration of the banking industry's financial condition could discourage or prevent lenders from meeting their existing lending commitments, extending the terms of such commitments, or agreeing to new commitments. In such a case, we may not be able to access the commercial paper, debt or equity capital markets, or other sources of potential liquidity, in the future on terms acceptable to us or at all. Furthermore, our inability to maintain, renew or replace commitments under our revolving credit facility could materially increase our cost of capital and adversely affect our financial condition, results of operations and liquidity. Short- or long-term disruptions or volatility in the debt or equity capital and credit markets as a result of economic, legislative, political or other uncertainties, including as a result of changes in U.S. tax and other laws, reduced financing alternatives, or failures of significant financial institutions could adversely affect our access to the capital necessary to provide adequate liquidity for our business. Significant volatility or disruptions in the debt or equity capital or credit markets, or financial institution failures, could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include delaying or deferring capital expenditures, reducing or suspending dividend payments, and reducing other discretionary expenditures. Finally, even absent significant volatility or disruptions in the capital markets, there can be no assurance that we will be able to access markets to obtain capital or financing when necessary or desirable and on terms that are reasonable or acceptable to us.

The occurrence of any of these circumstances could expose us to increased interest or other expense, require us to institute cash or liquidity conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity, which may limit or impair our ability to achieve our strategic, business and operational goals and objectives.

The conditional exchange feature of the Exchangeable Senior Notes due 2026, if triggered, may adversely effect our liquidity and financial condition and may dilute the ownership interest of our shareholders or may otherwise depress the price of parent company's common stock.

In June 2023, AWCC issued $1,035.0 million aggregate principal amount of its 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). See Note 11—Long-Term Debt in the Notes to the Consolidated Financial Statements for a description of the Notes. In the event the conditional exchange feature of the Notes is triggered and one or more holders elect to exchange their Notes, AWCC would be required to settle any exchanged principal through the payment of cash, which could adversely affect our liquidity. In addition, in that case, even if holders do not elect to exchange their Notes, we would be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. If AWCC elects to settle the portion, if any, of an exchange obligation in excess of the aggregate principal amount of the Notes being exchanged in shares of parent company common stock or a combination of cash and shares of such common stock, any sales in the public market of the common stock deliverable upon such exchange could adversely affect prevailing market prices of parent company common stock. In addition, the existence of the Notes may encourage short selling by market participants because the exchange of the Notes could be used to satisfy short positions, and any anticipated exchange of the Notes for shares of such common stock could depress the price of such common stock.

Parent company may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds.

Parent company is a holding company and, as such, it has no substantive operations of its own. Substantially all of our consolidated assets are held by subsidiaries. Parent company's ability to meet its financial obligations and to pay dividends on its common stock is primarily dependent on the net income and cash flows of its subsidiaries and their ability to pay upstream dividends or repay indebtedness to parent company. Prior to paying dividends to parent company, our regulated subsidiaries must comply with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations and agreements, and our covenants and other agreements. Our subsidiaries are separate legal entities and have no obligation to pay or upstream dividends to parent company. A failure or inability of any of these subsidiaries to pay such dividends or repay intercompany obligations could have a material adverse impact on our liquidity and parent company's ability to pay dividends on its common stock and meet its other obligations.

We have a significant amount of goodwill and other assets measured and recorded at fair value on a recurring basis, and we may be required to record impairments or changes in fair value to these assets, which may negatively affect our financial condition and results of operations.

Our assets as of December 31, 2023, included $1.1 billion of goodwill and $236 million of total assets measured and recorded at fair value on a recurring basis. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, in the past, we have taken significant non-cash charges to operating results for impairments to goodwill or other intangible assets, and have recorded changes in fair value of financial instruments and other assets. We may be required to recognize in the future an impairment of goodwill or a change in fair value of financial instruments or certain other assets due to market conditions, other factors related to our performance or the performance of an acquired business, or other circumstances that may impact the fair value of a financial instrument or the other asset. See Note 18—Fair Value of Financial Information in the Notes to the Consolidated Financial Statements for information on the fair value of financial and other assets. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or other circumstances. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill and changes in fair value of certain of our other assets would result in a charge to income in the period in which the impairment or change occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment or change could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

Market volatility and other conditions may impact the value of benefit plan assets and liabilities, as well as assumptions related to the benefit plans, which may require us to provide significant additional funding.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations and volatility, which may cause investment returns to fall below our projected return rates. A decline in the market value of our pension and postretirement benefit plan assets as of the measurement date or a change in the projection of the future return on plan assets can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. Interest rates have experienced volatility and are subject to potential further adjustments based on the actions of the U.S. Federal Reserve, and others. If interest rates are lower at the current measurement date than the prior measurement date, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in assumptions, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected. In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that the discount rate used in our assumptions is reduced, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

Additional Risks Related to Other Businesses

Parent company provides performance guarantees with respect to certain of the obligations of our Other businesses, including financial guarantees or deposits, which may adversely affect parent company if the guarantees are successfully enforced.

Under the terms of certain agreements under which our Other businesses, primarily MSG, provide water and wastewater services to municipalities and federal governmental entities, parent company provides guarantees of specified performance obligations, including financial guarantees or deposits. In the event these obligations are not performed, the entity holding the guarantees may seek to enforce the performance commitments against parent company or proceed against the deposit. In that event, our financial condition, results of operations, cash flows and liquidity could be adversely affected. At December 31, 2023, we had remaining performance commitments, as measured by remaining contract revenue, and primarily related to MSG's contracts, totaling approximately $7.8 billion, of which $1.2 billion are guaranteed by parent company and the remainder is guaranteed by certain subsidiaries in Other. The aggregate amount of remaining performance commitments is likely to increase as the number of military bases served by MSG increases. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

MSG's operations are subject to various risks associated with doing business with the U.S. government.

MSG enters into contracts with the U.S. government for the operation and maintenance of water and wastewater systems, which contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In addition, the contract price for each of these military contracts is typically subject to either an annual economic price adjustment, or a price redetermination two years after commencement of operations and every three years thereafter. Any early contract termination or unfavorable annual economic price adjustment or price redetermination could adversely affect our financial condition, results of operations and cash flows. Moreover, entering into contracts with the U.S. government subjects us to a number of operational and compliance risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. We are subject to potential government investigations of our business practices and compliance with government procurement and security regulations, which are complex, and compliance with these regulations can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended or debarred from bidding on or receiving awards of new contracts with the U.S. government or our existing contracts could be terminated, which could have a material adverse effect on our results of operations and cash flows.

General Risk Factors

New accounting standards or changes to existing accounting standards could materially impact how we report our results of operations, cash flows and financial condition.

Our Consolidated Financial Statements are prepared in accordance with GAAP. The SEC, the Financial Accounting Standards Board or other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies or critical accounting estimates. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flows and financial condition. We could be required to apply a new or revised standard retroactively, which could also adversely affect our previously reported results of operations, cash flows and financial condition.

Undetected errors in internal controls and information reporting could result in the disallowance of cost recovery and noncompliant disclosure.

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP, taxation requirements, federal securities laws and regulations and other laws and regulations applicable to us. We have also implemented corporate governance, internal control and accounting policies and procedures in connection with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and relevant SEC rules, as well as other applicable regulations. Management is also responsible for establishing and maintaining internal control over financial reporting and disclosure controls and procedures and is required to assess annually the effectiveness of these controls. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated or unauthorized actions of employees or temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to undetected errors that could result in the disallowance of cost recovery and non-compliant disclosure and reporting. The consequences of these events could have a negative impact on our results of operations, cash flows and financial condition. The inability of management to certify as to the effectiveness of these controls due to the identification of one or more material weaknesses in these controls could also harm our reputation, increase financing costs or adversely affect our ability to access the capital markets.

Our continued success is dependent upon our ability to attract, hire and retain highly qualified, skilled and/or diverse talent.

The success of our business is dependent upon our ability to attract, hire and retain highly qualified, skilled and/or diverse talent, including engineers, licensed operators, water quality, regulatory and management professionals who have the desired experience and expertise. Similar to other organizations, the Company may have challenges implementing its human capital management, recruitment and employee succession plans to attract and retain such talent based on a number of factors including, among others, market conditions, retirements and geography. If we are unable to meet these human capital resource challenges, our business, financial condition, results of operations and cash flows may be materially and adversely impacted.

Our business may be adversely affected by the intentional misconduct of our employees and contractors.

Our Code of Ethics requires employees and contractors to make decisions ethically and in compliance with applicable law and regulatory requirements, and our Code of Ethics and its underlying policies, practices and procedures. All employees are required to complete training on and review the Code of Ethics on an annual basis, and violations of the Code of Ethics could result in disciplinary actions up to, and including, termination. Despite these efforts to prevent misconduct, it is possible for employees or contractors to engage in intentional misconduct and violate laws and regulations through, among other things, theft, fraud, misappropriation, bribery, corruption and engaging in conflicts of interest or related person transactions, or otherwise committing serious breaches of our Code of Ethics and our policies, practices and procedures. Intentional misconduct by employees or contractors could result in substantial liability, higher costs, increased regulatory scrutiny and significant reputational harm, any of which could have a material adverse effect on our financial condition, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

The Company's Cybersecurity Program

The Company's cybersecurity program is an integral part of the long-term sustainability and effectiveness of the Company's operational and technology environment. To protect the integrity of its data and operational and technology systems, the Company employs a "defense-in-depth" strategy that uses multiple security measures. This strategy aligns with the National Institute of Standards and Technology Cyber Security Framework and provides preventative, detective, and responsive measures to identify and manage risks. The Company periodically reviews and modifies the implementation of its cybersecurity strategy based on threat trends, program maturity, the results of assessments, and the advice of third-party security consultants.

The Company's cybersecurity program includes the following areas of focus:

- Technology that includes, among other things, encryption, threat management, monitoring, investigation support and backups for physical devices, such as mobile phones and computers, connected to the Company network;
- Identity and access management controls that include, among other things, multi-factor authentication and safeguards associated with granting elevated privileges;
- Proactive cybersecurity processes, including vulnerability scanning, penetration testing and periodic program assessments by outside security consultants and assessors;
- Reactive cybersecurity processes that are regularly evaluated using various incident response and disaster recovery exercises;
- Employee cyber risk awareness and training, including regular simulation exercises with employees, that covers cybersecurity threats and actions to prevent and report attacks; and
- Third-party risk management and security standards, including due diligence, continuous monitoring, cyber risk scoring and contractual obligations, and periodic review of third-party control environments to align the Company's risk exposure with its business requirements and risk tolerances.

Third-Party Relationships

The Company utilizes partners and third-party service providers to help deliver safe and reliable water and wastewater services across its regulated operations and has implemented a third-party risk management program to understand the cybersecurity risks to the Company that may arise out of these third-party relationships. The Company categorizes third-party relationships by risk level, which is determined primarily by the service provided by the third-party and its level of access to the Company's data. Each category has specific cybersecurity controls, data privacy and documentation requirements, which are outlined in the agreement between the Company and the third-party service provider. In addition, the Company evaluates the online security footprint for its service providers at the time of agreement, and on a regular basis, thereafter, depending on the provider's risk level. The Company reviews its agreements with third-party service providers periodically related to terms and conditions governing cybersecurity controls and data privacy. The Company also monitors, as appropriate, risks relating to potential compromises of sensitive Company information through third parties and reevaluates these risks periodically. In addition, the Company obtains annual attestation reports related to data security and privacy from certain third-party providers to further support compliance with industry-standard cybersecurity protocols.

Cybersecurity Risks

The Company believes that its current preventative actions and response activities provide reasonable measures of protection against security breaches and serve generally to reduce the Company's overall cybersecurity risk. However, cybersecurity threats are constantly evolving and have and will continue to become more frequent and sophisticated. Although the Company has implemented measures that it believes are reasonable to safeguard its operational and technology systems and has sought to establish a culture of continuous monitoring and improvement, the evolving nature of cybersecurity attacks and vulnerabilities means that these protections may not always be effective. In addition, the Company has obtained insurance to provide coverage for a portion of the losses and damages that may result from a cyber attack or a security breach, but such insurance is subject to exclusions, limitations and exceptions, and may not cover the total loss or damage caused by an attack or breach. To date, management has determined that no cybersecurity incident experienced by the Company has resulted in a material impact on its financial condition, results of operations or business strategy. For additional information concerning cybersecurity-related risks, see Item 1A—Risk Factors—We may be subject to physical and cyber attacks, and —We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

Cybersecurity Risk Management and Strategy

The Company has established an enterprise-wide cybersecurity program designed to prevent disruption to critical information systems, minimize the loss or manipulation of sensitive information, and to timely identify, escalate and promptly remediate and recover from cybersecurity incidents and facilitate compliance with regulatory and disclosure requirements. To oversee cybersecurity risk management, the Company employs a dedicated unit, led by the Company's Chief Security Officer ("CSO"), to implement cybersecurity controls, assess and report on cybersecurity risks and consult with the Company's internal Enterprise Risk Management Committee, a decision-making body which supports and oversees the identification, assessment, prioritization, and mitigation strategies for enterprise-level risks, including cybersecurity risks. The Company's CSO has 23 years of work experience in the cybersecurity field throughout various industries, including the utility sector, and has obtained several professional certifications, including from the International Information System Security Certification Consortium. The CSO reports directly to the Company's Chief Information Officer ("CIO"), who is responsible for the Company's information technology program. The CIO has over 25 years of work experience in the information technology, physical security and cybersecurity fields, including previously serving as the Company's CSO, and holds the Certified Protection Professional, Professional Certified Investigator and Physical Security Professional certifications from ASIS International. The CIO serves on the Water Sector Coordinating Council ("WSCC"), an advisory body comprised of representatives from various U.S. water and wastewater organizations, which serves as a policy, strategy and coordination mechanism for the water sector on critical infrastructure security and resilience issues. In that role, the CIO partners with representatives from the Department of Homeland Security and the EPA on U.S. water and wastewater sector initiatives. The CIO is also the former Chair of the WSCC, the National Association of Water Companies' Safety and Security Committee, and the ASIS Utility Security Council.

The Company's security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout the Company's operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company's physical assets, business systems and operational technologies. The Company's security team also conducts annual and ongoing cybersecurity awareness training and education for the Company's employees. In 2023, 100% of the Company's active workforce completed mandatory cybersecurity training. By equipping employees with knowledge and skills, the Company strives to cultivate and maintain a cybersecurity-conscious culture within its workforce.

The Company's cybersecurity risk assessment process involves considering risks associated with the nature of its business, receiving and processing inputs from internal and external stakeholders, monitoring industry trends and risks and engaging external advisors, to assist in aligning the Company's cybersecurity processes with industry best practices. Risk assessments are conducted quarterly and annually to evaluate the effectiveness of the Company's existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against unauthorized access to the Company's information systems. These controls are aimed at (i) assuring the continuity of business processes that are dependent upon automation, (ii) maintaining the integrity of the Company's data, (iii) supporting regulatory and legislative compliance requirements, and (iv) maintaining safe and reliable service to the Company's customers.

The Company has also implemented a vulnerability assessment program that is conducted at least annually and more frequently, depending on the nature of the risk. This process serves as a guiding enterprise-wide framework to outline the scope and procedures of the Company's cybersecurity risk management processes. By prioritizing vulnerability management and continuously evaluating the Company's internal and external environments for vulnerabilities, the Company aims to implement preventative measures to protect its information assets and technology-based infrastructure from cybersecurity threats. This approach helps to reduce the Company's exposure to material cybersecurity threat risks.

Incident Response

The Company utilizes an established internal framework designed to assess promptly the severity and materiality of cybersecurity incidents based on predefined quantitative and qualitative criteria and to determine the appropriate level of response. Incidents are escalated to the relevant management teams based on their severity and materiality for prompt response and mitigation. The Company maintains a standing crisis response team comprised of individuals from various functional units, including without limitation Information Technology, Legal, Finance, Enterprise Risk Management, Operations and Communications, to respond to cybersecurity and physical security incidents, environmental incidents and health and safety emergencies, among others.

If a cybersecurity incident were to occur, the Company would establish a cross-functional incident response team to respond to the specific cybersecurity incident. The incident response team would consist of a subset of members from the standing crisis response team, including personnel with the most relevant experience related to the specific incident. This collaborative approach is intended to enable the Company to leverage expertise throughout the business to address cybersecurity events and to evaluate the potential financial, legal, operational and reputational implications of an incident, or series of related incidents. In considering the materiality of an event, related attacks, whether in terms of quantity or impact, are reviewed individually and in the aggregate to determine whether they may have a significant impact on the Company's financial condition, results of operations or business strategy, either quantitatively or qualitatively.

Cybersecurity Governance

The Board of Directors is responsible for oversight of the Company's cybersecurity program and the Company's responses to cybersecurity risk. The Board of Directors has delegated to the Safety, Environmental, Technology and Operations ("SETO") Committee of the Board of Directors responsibility for the oversight and review of technology policy, strategy and governance, and cybersecurity issues that could impact the Company's operational performance or risk profile. The SETO Committee meets at least quarterly and receives reports from the CIO and CSO related to cybersecurity threats, trends and risks, and related mitigation activities. In addition, the SETO Committee and the Board of Directors receive reports of periodic external assessments and internal testing of the effectiveness of the Company's cybersecurity program. The SETO Committee coordinates with the Audit, Finance and Risk Committee of the Board of Directors, as appropriate, on matters related to cybersecurity risk. The Audit, Finance and Risk Committee is responsible for, among other things, overseeing the adequacy and effectiveness of the Company's system of internal controls and the Company's risk assessment and management strategy, including with respect to cybersecurity risks.

ITEM 2. PROPERTIES

The Company's properties consist primarily of (i) water and wastewater treatment plants, (ii) mains and pipes used for transmission, distribution and collection of water and wastewater, (iii) wells and other sources of water supply, such as reservoirs, (iv) water and wastewater pumping stations, (v) meters and fire hydrants, (vi) general structures, including buildings, dams and treated water storage facilities, (vii) land and easements, (viii) vehicles, (ix) software rights, and (x) other equipment and facilities, the majority of which are used directly in the operation of its systems. Substantially all of the Company's properties are owned by its subsidiaries, with a large percentage subject to liens of its mortgage bonds. A wholly owned subsidiary of parent company owns the Company's corporate headquarters, located in Camden, New Jersey, and the Company and its operating subsidiaries lease office space, equipment and furniture from certain of the Company's wholly owned subsidiaries. These properties are utilized by the Company's directors, officers and staff in the conduct of the business.

The properties of the Company's Regulated Businesses consist mainly of approximately:

- 80 surface water treatment plants;
- 540 groundwater treatment plants;
- 175 wastewater treatment plants;
- 53,700 miles of transmission, distribution and collection mains and pipes;
- 1,200 groundwater wells;
- 1,700 water and wastewater pumping stations;
- 1,100 treated water storage facilities; and
- 74 dams.

The Company has ongoing infrastructure renewal programs in all states in which its Regulated Businesses operate. These programs consist of both the rehabilitation of existing mains and equipment, and the replacement of mains and equipment that have been damaged or have reached, or are near, the end of their useful service lives. The properties within Other consist mainly of office furniture and IT equipment. Approximately 50% of all properties that the Company owns are located in New Jersey and Pennsylvania.

The Company maintains property insurance against loss or damage to its properties by fire or other perils, subject to certain exceptions. For insured losses, the Company is self-insured to the extent that any losses are within the policy deductible or exceed the amount of insurance maintained.

The Company believes that its properties are generally maintained in good operating condition and in accordance with current standards of good water and wastewater industry practice.

ITEM 3. LEGAL PROCEEDINGS

Set forth below is information related to the Company's material pending legal proceedings as of February 14, 2024, other than ordinary routine litigation incidental to the business, required to be disclosed in this Annual Report on Form 10-K. The information below should be read together with Note 16 —Commitments and Contingencies in the Notes to the Consolidated Financial Statements. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with SWRCB Orders to Reduce Carmel River Diversions

Under the 2009 Order, Cal Am is required, among other things, to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. See Item 1—Business—Regulated Businesses—Water Supply and Wastewater Services and Item 1A—Risk Factors. The 2009 Order responded to claims that Cal Am had not sufficiently implemented actions to terminate its unpermitted diversions of water from the Carmel River as required by the 1995 Order issued by the SWRCB. In July 2016, at the request of Cal Am and several Monterey County government agencies, the SWRCB issued the 2016 Order approving a deadline of December 31, 2021, for Cal Am's compliance with the 2009 Order.

The 2009 Order includes a condition prohibiting Cal Am from diverting water from the Carmel River for new service connections or for any increased use of water at existing service addresses resulting from a change in zoning or use. In 2011, the California Public Utilities Commission (the "CPUC") issued a decision directing modifications in Cal Am's tariffs to recognize the moratorium mandated by the 2009 Order, and directing Cal Am to seek written guidance from the SWRCB with respect to any unresolved issues of interpretation or implementation of this condition. In 2012, the Deputy Director of the SWRCB sent a letter to Cal Am providing an interpretation as to the calculation of a baseline to determine increases in use of water at existing service addresses. In March 2018, the MPWMD adopted a resolution directing Cal Am to interpret the baseline in a manner that conflicts with the SWRCB's written interpretation. In May 2018, Cal Am notified the MPWMD and the SWRCB that it intends to seek declaratory relief concerning the conflicting regulatory interpretations under the 2009 Order. In an attempt to resolve these conflicting interpretations prior to seeking judicial intervention, Cal Am has met with the MPWMD and the SWRCB several times. The SWRCB agreed to circulate revisions to its 2012 interpretive letter, which would be subject to a public comment period. Any failure to follow the MPWMD's resolution or the SWRCB's written interpretation, despite these conflicting interpretations, could potentially result in fines, penalties and other actions against Cal Am.

Following issuance by the Coastal Commission in November 2022, of a coastal development permit, as described below, Cal Am continues to work constructively with all appropriate agencies to obtain the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2023, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2024, and future years may be impacted by a number of factors, including without limitation potential recurrence of drought conditions in California and the reduction or exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

Cal Am's ability to move forward on the Water Supply Project is and has been subject to extensive administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to the incurred $50 million in associated costs plus AFUDC, subject to meeting certain criteria.

In 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a CPCN and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, O&M costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $241 million in aggregate costs as of December 31, 2023, related to the Water Supply Project, which includes $72 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and in November 2021, Cal Am filed an application with the CPUC that sought review and approval of the amended and restated water purchase agreement. Cal Am also requested rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This requested amount was in addition to, and consistent in regulatory treatment with, the prior $50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its unanimous 2016 final decision.

On December 5, 2022, the CPUC issued a final decision that authorizes Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately $62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities.

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision. On March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing but adopting its proposed AFUDC for already incurred and future costs. The decision also provides Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings were scheduled in a Phase 2 to this CPUC proceeding to focus on updated supply and demand estimates for the Water Supply Project, and Phase 2 testimony was completed in September 2022. On October 23, 2023, a status conference was held to determine procedural steps to conclude the proceeding. Further evidentiary hearings in this proceeding have been scheduled for March 2024.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions, as amended by its March 30, 2023 rehearing decision. See Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements for further discussion.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am's appeal of the City's denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

In October 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

In November 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. Cal Am continues to seek the remaining permits necessary to construct the Water Supply Project.

In December 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency ("GSA"), and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the MPWSP slant wells. Cal Am is named as a real party in interest. On November 14, 2023, the court set an initial trial date of May 1, 2024. This matter remains pending.

Subject to the impact or resolution of this litigation, construction of the desalination plant is expected to begin in 2025 and the desalination plant is estimated to be in-service by the end of 2027.

Desalination Plant Development Permit

The proposed desalination plant for the Water Supply Project is to be located in an unincorporated portion of Monterey County, California, on a site owned by CEMEX, Inc. ("CEMEX"), and requires a combined development permit from Monterey County prior to commencement of construction. In April 2019, Monterey County's Planning Commission voted to approve the permit. In July 2019, the Board of Supervisors heard appeals filed by MCWD and a public advocacy group, at which time it denied the appeals and approved the permit. In August 2019, MCWD filed a petition in Monterey County Superior Court challenging Monterey County's approval of Cal Am's combined development permit application and seeking injunctive relief to enjoin Monterey County and Cal Am from commencing construction of the desalination plant. In October 2019, after a hearing, the court denied, without prejudice, MCWD's motion for a preliminary injunction, but issued a stay of Monterey County's approval of the combined development permit, precluding commencement of physical construction of the desalination plant, but allowing Cal Am to continue to obtain permits needed for the desalination plant's construction. In January 2021, the court issued its decision granting in part and denying in part MCWD's petition. The court found that Monterey County did not completely comply with all of the requirements necessary to approve the combined development permit and set aside its approval so that Monterey County could come into compliance. The court denied all of MCWD's other claims. The court also lifted its stay on physical construction at the plant site.

In May 2021, Cal Am filed a notice of appeal as to the Monterey County Superior Court's January 2021 decision, seeking to challenge the court's decision on Monterey County's statement of overriding considerations. Monterey County filed a notice of appeal as to the same issue in May 2021. In June 2021, MCWD filed cross-appeals on its claims that had been denied by the court. On September 8, 2023, the court of appeal issued its opinion reversing the trial court's determination in favor of MCWD as to the statement of overriding considerations and rejecting MCWD's appeals on all of its claims that the Monterey County Superior Court had denied. On September 25, 2023, MCWD filed a petition for rehearing in the court of appeal, which was denied on October 4, 2023. On November 13, 2023, MCWD filed a petition for review in the California Supreme Court, which was denied on January 10, 2024.

Proposed Zoning Changes at CEMEX Site for Slant Wells

In August 2018, the City circulated a public review draft of proposed amendments to its local coastal program and zoning ordinance, and placed the matter for consideration on the Planning Commission's agenda for its September 2018 meeting. The proposed amendments would change zoning at the CEMEX site to open space and restrict future uses, including with respect to Cal Am's planned use of the site for the slant wells for the Water Supply Project. Any change to the City's local coastal program must ultimately be approved by the Coastal Commission. Cal Am, CEMEX and the Coastal Commission each submitted letters opposing the proposed amendments. At its November 2018 meeting, the Planning Commission adopted a resolution recommending that the Marina City Council consider approving the amendments.

In December 2018, the Marina City Council considered the proposed amendments. Cal Am, CEMEX and the Coastal Commission again submitted letters opposing the proposed changes, but the City Council unanimously adopted a resolution amending its local coastal plan and a draft amendment to its zoning ordinance. Changes to the ordinance require a second reading before becoming final, which occurred at the City's December 2018 meeting. The changes to the local coastal plan would need to be submitted to the Coastal Commission for approval; however, the Coastal Commission's November 2022 approval of Cal Am's coastal development permit application has rendered moot the impact of these proposed local coastal program and zoning changes on the issuance of the coastal development permit.

Test Slant Well Permitting

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the Coastal Commission approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. Effective February 28, 2018, test slant well pumping ceased, except for minimal maintenance pumping activities, in accordance with Cal Am's coastal development permits. Because Cal Am may use the test slant well as one of the slant wells for the Water Supply Project, Cal Am sought and obtained from the Coastal Commission permit amendments to allow the test slant well to remain in place and be maintained until February 28, 2025. A required lease obtained from the California State Lands Commission, as amended, expires on December 16, 2027.

Water Supply Project Land Acquisition and Slant Well Site Use

In July 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property owned by CEMEX on which intake wells for the Water Supply Project will be located, to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record. A permanent easement granted by CEMEX to Cal Am was recorded in June 2018 to allow Cal Am access to the property and to construct, operate and maintain the Water Supply Project intake wells. In November 2019, the City notified CEMEX that, based on this permanent easement and Cal Am's proposed use of the site for the intake wells, CEMEX has breached or will soon breach a prior 1996 annexation agreement (to which Cal Am was not a party). The City states that it intends to seek declaratory relief from CEMEX and Cal Am ordering that Cal Am's extraction is limited to 500 acre-feet per year of groundwater, that Cal Am cannot export extracted water out of the basin, and that the permanent easement granted by CEMEX to Cal Am is void. CEMEX has denied the City's claims and requested indemnification from Cal Am under the terms of the permanent easement. Cal Am and CEMEX believe that there is no valid limitation under the annexation agreement on Cal Am's right to pump brackish groundwater and seawater at the site for desalination and use by Cal Am's customers.

In May 2020, the City filed a lawsuit in Monterey County Superior Court, naming Cal Am and CEMEX as defendants, and MCWRA and MCWD as real parties in interest. The lawsuit, as amended, alleges a claim for breach of contract against CEMEX and seeks declaratory relief to void the permanent easement and prohibiting extraction of water by Cal Am's slant wells at the CEMEX site in excess of 500 acre-feet per year and the export of such water outside the groundwater basin. In November 2020, Cal Am, CEMEX and MCWRA filed demurrers, which were overruled by the court at a hearing held in February 2021.

In August 2020, MCWD filed a cross-complaint in the May 2020 lawsuit against Cal Am, CEMEX and MCWRA, alleging claims for specific performance of certain provisions of the 1996 annexation agreement related to the property owned by CEMEX on which intake wells for the Water Supply Project will be located, as well as claims of water rights, nuisance and unreasonable water use, and seeking additional declaratory relief. Following various rulings on demurrers filed by Cal Am, CEMEX and MCWRA, in February 2021, the court sustained, without leave to amend, the demurrer to MCWD's nuisance claim and overruled the remainder of the demurrers. In October 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion. The SWRCB held hearings in 2022 and 2023, on the referred issues before its Administrative Hearing Officer. The Monterey County Superior Court has set a trial date of July 15, 2024, for the City's lawsuit.

Challenges Related to Compliance with California's Sustainable Groundwater Management Act

Under California's Sustainable Groundwater Management Act ("SGMA") enacted in 2015, groundwater basins designated by the state as critically overdrafted must be managed by a GSA by 2020 in accordance with an approved groundwater sustainability plan ("GSP") designed to achieve sustainability by 2040. Under the SGMA, GSAs have broad powers to achieve sustainability including, but not limited to, regulating groundwater extraction by imposing fees on groundwater extractions and controlling groundwater extractions by regulating, limiting or suspending extractions from wells. The 400-acre CEMEX site overlies a small portion of the 180/400 Subbasin of the Salinas Valley Groundwater Basin; the 84,000-acre 180/400 Subbasin has been designated by the state as critically overdrafted, mainly due to seawater intrusion into the subbasin.

In late 2016, the Salinas Valley Basin Groundwater Sustainability Agency (the "SVBGSA") was formed as a joint powers authority to become the GSA for the Salinas Valley Groundwater Basin and prepare a GSP. In April 2018, the City filed a notice to become the GSA for the CEMEX site, creating an overlap with the SVBGSA's filing for the 180/400 Subbasin. In 2016, the SVBGSA commenced preparation of a GSP covering the entire 180/400 subbasin, including the CEMEX site, but in August 2019 the City filed a notice that it intends to prepare its own GSP for the CEMEX site with the intent to severely limit or prohibit groundwater pumping at that site. The State Department of Water Resources ("SDWR") has taken the position that until the overlap is resolved, it will not accept the GSP from either agency, placing the subbasin at risk of being placed in a probationary status and subject to state management. In December 2019, the County of Monterey filed its own notice to become the exclusive GSA at the CEMEX site in order to resolve the overlap, which is permitted under SGMA. SDWR accepted Monterey County's filing in December 2019, and now lists Monterey County as the exclusive GSA for the site.

In December 2019, the City filed a lawsuit in Monterey County Superior Court challenging Monterey County's filing, and SDWR's acceptance of the filing, as the exclusive GSA for the CEMEX site. The City has named Monterey County and its Board of Supervisors, its GSA, and SDWR and its director as defendants, and the SVBGSA and its Board of Directors as real parties. The City seeks to invalidate Monterey County's filing, as well as injunctive relief to preserve the City's status as a GSA for the site. To protect its interest in the matter, Cal Am filed an application to intervene in this lawsuit, which was granted. Monterey County filed cross-claims against the City and SDWR. In September 2020, Cal Am filed a separate but related complaint in Monterey County Superior Court challenging the validity of actions taken by the City and its GSA in adopting a groundwater sustainability plan for the CEMEX site, and the validity of the provisions of such plan. Due to the overlap of issues in the City's lawsuit with those in the validation action, the parties stipulated to a stay of the validation action pending determination of the claims in the City's action, which was approved by the court in December 2020. In February 2021, the City filed a separate but related *in rem* reverse validation complaint challenging the adoption by Monterey County of a GSP for the CEMEX site. On May 3, 2023, the City filed a second reverse validation complaint, challenging the adoption of amendments to the GSP for the 180/400 subbasin.

After a hearing, in August 2021, the court denied the claims brought by the City and granted Monterey County's cross-claims, finding that the City's GSA notice was untimely, the Monterey County GSA was the exclusive GSA for the CEMEX site, and the SVBGSA's GSP was properly adopted for the entire 180/400 subbasin, including the CEMEX site. In November 2021, the City appealed this decision, and in December 2021, Monterey County appealed the court's decision as to the finding that the City's action creating a GSA was not void. The related validation and reverse validation actions remain stayed during the pendency of the appeal. On November 13, 2023, the California Court of Appeal affirmed the trial court's decision. On December 22, 2023, the City filed a petition for review with the California Supreme Court.

Proposed Acquisition of Monterey System Assets — Potential Condemnation

Local Agency Formation Commission Litigation

In November 2018, voters in Monterey, California passed "Measure J," which decided that the MPWMD should conduct a feasibility study concerning the potential purchase of Cal Am's Monterey system assets, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. In April 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. In June 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO. In December 2022, the court sustained in part, and denied in part, demurrers that had been filed by LAFCO seeking to dismiss the MPWMD's lawsuit.

On December 11, 2023, the Monterey County Superior Court issued a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey water system assets) and allowing the MPWMD to seek further LAFCO review of its application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. As a result, the LAFCO denial has been nullified and LAFCO will be required to hold another hearing on the MPWMD's application. On February 8, 2024, and February 9, 2024, each of Cal Am and LAFCO, respectively, filed a notice of appeal with the California Court of Appeals regarding the Monterey County Superior Court's decision to issue the writ of mandate. Cal Am is evaluating potential additional actions to contest the writ of mandate and to seek to uphold LAFCO's denial of the MPWMD's application, including filing other challenges and/or making suitable presentations at a subsequent LAFCO rehearing.

Potential Condemnation Actions by MPWMD

Separate from the proceedings related to the MPWMD's application with LAFCO, by letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requesting access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. On April 28, 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for $448.8 million. Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets.

On December 15, 2023, the MPWMD filed a lawsuit in Monterey County Superior Court seeking to condemn the Monterey system assets. While the Company cannot currently predict the outcome of this lawsuit, the Company believes that, given existing legal precedent related to similar attempts by public agencies in California to take over water systems and its other defenses, Cal Am should be able to defend itself successfully against the MPWMD's eminent domain lawsuit.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by West Virginia-American Water Company, the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored on July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. In July 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. In August 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 2022 order, which petition was denied on June 8, 2023. On August 21, 2023, the Circuit Court set a date of September 9, 2024, for a class trial on issues relating to duty and breach of that duty. The trial will not find class-wide or punitive damages.

The Company and WVAWC believe that WVAWC has meritorious defenses to the claims raised in this class action complaint and WVAWC will continue to vigorously defend itself against these allegations.

Chattanooga, Tennessee Class Action Litigation

On September 12, 2019, Tennessee-American Water Company, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and Service Company (collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law. On September 21, 2023, the court upheld its prior ruling but gave the Tennessee Plaintiffs the option to file an amended class definition. On October 12, 2023, the Tennessee Plaintiffs filed an amended class definition seeking certification of a business customer-only class. On December 1, 2023, TAWC filed a memorandum in opposition to the amended class definition. On January 18, 2024, the court heard oral argument on the motions but issued no decision. The court instead requested additional briefing and a second oral argument, deadlines for which have not yet been set.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations.

Mountaineer Gas Company Main Break

During the afternoon of November 10, 2023, WVAWC was informed that an 8-inch ductile iron water main owned by WVAWC, located on the West Side of Charleston, West Virginia and originally installed in approximately 1989, experienced a leak. In the early morning hours of November 11, 2023, WVAWC crews successfully completed a repair to the water main. A precautionary boil water advisory was issued the same day to approximately 300 WVAWC customers and ultimately lifted on November 12, 2023.

On November 10, 2023, a break was reported in a low-pressure natural gas main located near the affected WVAWC water main break, and an inflow of water into the natural gas main and associated delivery pipelines occurred. The natural gas main and pipelines are owned by Mountaineer Gas Company, a regulated natural gas distribution company serving over 220,000 customers in West Virginia ("Mountaineer Gas"). The resulting inflow of water into the natural gas main and related pipelines resulted in a loss of natural gas service to approximately 1,100 Mountaineer Gas customers, as well as water entering customer service lines and certain natural gas appliances owned or used by some of the affected Mountaineer Gas customers. Mountaineer Gas reported that restoration of natural gas service to all affected gas mains occurred on November 24, 2023. The timing, order and causation of both the WVAWC water main break and Mountaineer Gas's main break are currently unknown and under investigation.

To date, a total of four pending lawsuits have been filed against Mountaineer Gas and WVAWC purportedly on behalf of customers in Charleston, West Virginia related to these incidents. On November 14, 2023, a complaint captioned *Ruffin et al. v. Mountaineer Gas Company and West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of Mountaineer Gas residential and business customers and other households and businesses supplied with natural gas in Kanawha County, which lost natural gas service on November 10, 2023, as a result of these events. The complaint alleges, among other things, breach of contract by Mountaineer Gas, trespass by WVAWC, nuisance by WVAWC, violation of statutory obligations by Mountaineer Gas and WVAWC, and negligence by Mountaineer Gas and WVAWC. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for loss of use of natural gas, annoyance, inconvenience and lost profits, as well as punitive damages.

On November 15, 2023, a complaint captioned *Toliver et al. v. West Virginia-American Water Company and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all natural persons or entities who are citizens of the State of West Virginia and who are customers of WVAWC and/or Mountaineer Gas in the affected areas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass and strict liability, as well as breach of contract against Mountaineer Gas. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property damage, loss of use and enjoyment of property, annoyance and inconvenience and business losses, as well as punitive damages.

On November 16, 2023, a complaint captioned *Dodson et al. v. West Virginia American Water and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all West Virginia citizens living between Pennsylvania Avenue south of Washington Street, and Iowa Street, who are customers of Mountaineer Gas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass, statutory code violations and unfair or deceptive business practices. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property loss and damage, loss of use and enjoyment of property, mental and emotional distress, and aggravation and inconvenience, as well as punitive damages.

On January 4, 2024, a fourth complaint, captioned *Thomas v. West Virginia-American Water Company and Mountaineer Gas Company*, was filed in West Virginia Circuit Court in Kanawha County asserting similar allegations as those included in the *Ruffin*, *Toliver* and *Dodson* lawsuits (the "first three lawsuits"), with the addition of counts alleging unjust enrichment and violations of the West Virginia Human Rights Act and the West Virginia Consumer Credit and Protection Act.

On November 17, 2023, the *Ruffin* plaintiff filed a motion to consolidate the first three lawsuits before a single judge in Kanawha County Circuit Court. That motion remains pending.

On December 5, 2023, a complaint captioned *Mountaineer Gas Company v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County seeking damages under theories of trespass, negligence and implied indemnity. The damages being sought related to the incident include, among other things, repair and response costs incurred by Mountaineer Gas and attorneys' fees and expenses incurred by Mountaineer Gas. On December 14, 2023, Mountaineer Gas filed a motion with the Supreme Court of West Virginia to transfer this case to the West Virginia Business Court. On December 29, 2023, WVAWC filed a joinder in the motion to transfer the case. WVAWC has also filed a partial motion to dismiss this lawsuit. These motions remain pending.

On December 20, 2023, Mountaineer Gas filed answers to each of the first three lawsuits, which included cross-claims against WVAWC alleging that Mountaineer Gas is without fault for the claims and damages alleged in the lawsuits and WVAWC should be required to indemnify Mountaineer Gas for any damages and for attorneys' fees and expenses incurred by Mountaineer Gas in the lawsuits. WVAWC has filed a partial motion to dismiss certain claims in the *Ruffin, Toliver, Dodson* and *Thomas* lawsuits and a motion to dismiss the cross-claims asserted against WVAWC therein by Mountaineer Gas. On January 30, 2024, a motion was filed with the West Virginia Supreme Court on behalf of the *Toliver* plaintiff to refer the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On February 7, 2024, WVAWC filed a motion joining in that referral request. These motions remain pending.

On December 6, 2023, WVAWC initiated a process whereby Mountaineer Gas customers could file claims with WVAWC and seek payment from WVAWC of up to $2,000 per affected household for the inconvenience arising from a loss of use of their appliances and documented out-of-pocket expenses as a result of the natural gas outage. As of January 31, 2024, a total of 412 Mountaineer Gas customers completed this claims process and were paid by WVAWC an average of approximately $1,500 each. In return, these customers were required to execute a partial release of liability in favor of WVAWC.

On November 16, 2023, the Public Service Commission of West Virginia (the "WVPSC") issued an order initiating a general investigation into both the water main break and natural gas outages occurring in this incident to determine the cause or causes thereof, as well as breaks and outages generally throughout the systems of WVAWC and Mountaineer Gas and the utility practices of both utilities. Following a series of disagreements among the parties regarding the scope of discovery, the WVPSC closed the general investigation into both utilities and ordered a separate general investigation for each utility. The WVPSC focused the two general investigations away from the cause of the events and instead on the maintenance practices of each utility during and after the main breaks. On January 29, 2024, the Consumer Advocate Division of the WVPSC filed a motion to intervene in the WVAWC general investigation. WVAWC is cooperating with its general investigation. Both general investigations remain pending.

The Company and WVAWC believe that the causes of action and other claims asserted against WVAWC in the class action complaints and the lawsuit filed by Mountaineer Gas are without merit and that WVAWC has meritorious defenses to such claims, and WVAWC is defending itself vigorously in these litigation proceedings. Given the current stage of these proceedings and the general investigation, the Company and WVAWC are currently unable to predict the outcome of any of the proceedings described above.

West Virginia Elk River Freedom Industries Chemical Spill

See Note 16—Commitments and Contingencies—Contingencies—West Virginia Elk River Freedom Industries Chemical Spill in the Notes to Consolidated Financial Statements for information regarding the final court approval of the global settlement with respect to the January 2014 Freedom Industries, Inc. chemical spill.

PFAS Multi-District Litigation

Several of the Company's utility subsidiaries are parties to a multi-district litigation (the "MDL") lawsuit, which commenced on December 7, 2018, in U.S. District Court for the District of South Carolina, against manufacturers of certain PFAS for damages, contribution and reimbursement of costs incurred and continuing to be incurred to address the presence of such PFAS in public water supply systems owned and operated by these utility subsidiaries and throughout their service areas. In August 2023, a potential class action settlement involving defendants The Chemours Company, Corteva, Inc. and DuPont de Nemours, Inc. to resolve claims brought in the MDL against them by public water systems, and a similar class action settlement with defendant 3M Company, received preliminary approval from the MDL court. The Company's utility subsidiaries have determined to remain parties to these class action settlements. On February 8, 2024, after a hearing on December 14, 2023, the MDL court issued its final approval of the DuPont settlement, and the Company will begin the process of perfecting its claims under this settlement within the time period to be provided by the MDL court. A fairness hearing on the 3M settlement was held on February 2, 2024. This matter remains pending.

Other Matters

In April 2021, American Water Resources, LLC ("AWR"), which, prior to the December 2021 sale of the Company's former Homeowner Services Group business ("HOS") was one of the indirect, wholly owned subsidiaries comprising that business, received a grand jury subpoena in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY"). The subpoena sought documents regarding AWR's operations and its contractor network in the New York City metropolitan area. In September 2022, a former employee of AWR pled guilty in U.S. District Court to two felony counts in connection with the matters under investigation by the EDNY. The Company fully cooperated with the EDNY investigation. There are currently no pending requests from the EDNY for additional information and the Company has not been contacted by the EDNY about the investigation since July 2023. While the EDNY has not formally communicated that its investigation is complete, the Company does not believe that the investigation will have a material adverse effect on the Company's results of operations, financial condition or liquidity.

General

Periodically, the Company is involved in other proceedings or litigation arising in the ordinary course of business. Other than those proceedings described in this Item 3—Legal Proceedings, the Company does not believe that the ultimate resolution of these matters will materially affect its financial position or results of operations. However, litigation and other proceedings are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is possible that some litigation and other proceedings could be decided unfavorably to the Company, and that any such unfavorable decisions could have a material adverse effect on its business, financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since April 23, 2008, the Company's common stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AWK." As of February 6, 2024, there were 194,755,320 shares of common stock outstanding held by approximately 2,101 record holders. Holders of the Company's common stock are entitled to receive dividends when they are declared by its Board of Directors. See Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information regarding the Company's dividends.

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2023, the Company repurchased an aggregate of 4,860,000 shares of its common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program. There were no repurchases of common stock in 2023.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements," Item 1A—Risk Factors and elsewhere in this Form 10-K. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings. For a discussion and analysis of the Company's financial statements for fiscal 2022 compared to fiscal 2021, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 15, 2023.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company employs approximately 6,500 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company's utilities operate in approximately 1,700 communities in 14 states in the United States, with 3.5 million active customers with services provided by its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by PUCs. The Company also operates other businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-K within "Other." See Item 1—Business for additional information.

Selected Financial Data

This selected financial data below should be read in conjunction with the Company's Consolidated Financial Statements and related Notes in this Annual Report on Form 10-K as well as the remainder of this Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.

	For the Years Ended December 31,				
(In millions, except per share data)	**2023**	**2022**	**2021**	**2020**	**2019**
Statement of Operations data:					
Operating revenues	$ 4,234	$ 3,792	$ 3,930	$ 3,777	$ 3,610
Net income attributable to common shareholders	944	820	1,263	709	621
Net income attributable to common shareholders per basic common share	4.90	4.51	6.96	3.91	3.44
Net income attributable to common shareholders per diluted common share	4.90	4.51	6.95	3.91	3.43
Balance Sheet data:					
Total assets	$ 30,298	$ 27,787	$ 26,075	$ 24,766	$ 22,682
Long-term debt and redeemable preferred stock at redemption value	11,718	10,929	10,344	9,333	8,644
Other data:					
Cash dividends declared per common share	$ 2.83	$ 2.62	$ 2.41	$ 2.20	$ 2.00
Net cash provided by operating activities	1,874	1,108	1,441	1,426	1,383
Net cash used in investing activities	(2,815)	(2,127)	(1,536)	(2,061)	(1,945)
Net cash provided by (used in) financing activities	1,188	1,000	(345)	1,120	494
Capital expenditures included in net cash used in investing activities	(2,575)	(2,297)	(1,764)	(1,822)	(1,654)

Financial Results

For the years ended December 31, 2023, 2022 and 2021, diluted earnings per share (GAAP) were $4.90, $4.51 and $6.95, respectively. In 2023, as compared to 2022, diluted earnings per share increased $0.39. The increase was primarily driven by the implementation of new rates in the Regulated Businesses for the return on and recovery of capital and acquisition investments, offset somewhat by increased operating costs, primarily production costs from inflationary pressures, and higher pension costs. Results for 2023 reflect the net favorable impact of warmer, drier weather compared to normal, estimated at $0.13 per share, while results for 2022 reflect the net favorable impact of weather compared to normal, estimated at $0.06 per share. Results for 2023 also reflect the impact of share dilution from the equity financing of $0.29 per share, roughly equivalent to avoided interest expense on the year.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the substantial majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. In 2023, the Company invested $2.7 billion, in the Regulated Businesses, as discussed below:

Regulated Businesses Growth and Optimization

- $2.6 billion capital investment in the Regulated Businesses, the substantial majority for infrastructure improvements and replacements; and
- $81 million to fund acquisitions, including deposits for pending acquisitions, in the Regulated Businesses, which added approximately 18,100 customers during 2023, in addition to approximately 18,800 customers added through organic growth during 2023. This includes the Company's New Jersey subsidiary's acquisition of the water and wastewater assets of Egg Harbor City on June 1, 2023, for a cash purchase price of $22 million, $2 million of which was funded as a deposit to the seller in March 2021 in connection with the execution of the acquisition agreement.

On April 6, 2023, the Company's Illinois subsidiary entered into an agreement to acquire the wastewater treatment plant from Granite City for an amended purchase price of $86 million. This plant provides wastewater service for approximately 26,000 customer connections. The Company expects to close this acquisition in the first quarter of 2024.

Effective March 24, 2023, the Company's Pennsylvania subsidiary acquired the rights to buy the wastewater system assets of the Township of Towamencin, for an aggregate purchase price of $104 million, subject to adjustment as provided in the asset purchase agreement. This system provides wastewater services to approximately 6,300 customer connections in seven townships in Montgomery County, Pennsylvania. The Company expects to close this acquisition in late 2024 or early 2025, pending final regulatory approval.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the public wastewater collection and treatment system assets (the "System Assets") from the Butler Area Sewer Authority. On November 9, 2023, the Pennsylvania Public Utility Commission (the "PaPUC") approved a settlement agreement without modification with respect to the Company's Pennsylvania subsidiary's application to acquire the System Assets from the Butler Area Sewer Authority for a purchase price of $230 million, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 15,000 customer connections. On December 14, 2023, Center Township and Summit Township filed appeals with the Pennsylvania Commonwealth Court seeking to reverse the order entered by the PaPUC approving the sale of the System Assets. On December 29, 2023, the Company's Pennsylvania subsidiary filed applications with the Commonwealth Court seeking to dismiss the appeals and requesting expedited consideration. By order dated February 1, 2024, the Commonwealth Court deferred deciding the application to dismiss the appeals and directed that the issues raised by the applications to dismiss are to be considered as part of the merits of the appeals. The order also granted expedited consideration and directed the case to be included on the next available list and established a briefing schedule. Based on the court's schedule, the Company estimates that the disposition of the appeals could occur as soon as the second quarter of 2024.

As of December 31, 2023, the Company had entered into 25 agreements with a total aggregate purchase price of $589 million for pending acquisitions in the Regulated Businesses, including the agreements discussed above, to add approximately 88,300 additional customers.

The Company expects to invest between $16 billion to $17 billion over the next five years, and between $34 billion to $38 billion over the next 10 years, including $3.1 billion in 2024. The Company's expected future investments include:

- capital investment for infrastructure improvements in the Regulated Businesses between $14.5 billion to $15 billion over the next five years, and between $30 billion to $33 billion over the next 10 years; and

- growth from acquisitions in the Regulated Businesses to expand the Company's water and wastewater customer base of between $1.5 billion to $2 billion over the next five years, and between $4 billion to $5 billion over the next 10 years.

The Company estimates the expected capital investment for infrastructure improvements in its Regulated Businesses over the next ten years will be allocated to the following purposes: infrastructure renewal 68-70%, resiliency 9-11%, water quality, including capital expenditures for the EPA proposed regulations on PFAS 6-8%, operational efficiency, technology and innovation 5-7%, system expansion 4-6%, other 3-5%.

Other Matters

Environmental, Health and Safety, and Water Quality Regulation

On March 14, 2023, the EPA announced the proposed National Primary Drinking Water Regulations ("NPDWR") for six PFAS including perfluorooctanoic acid ("PFOA"), perfluorooctane sulfonic acid ("PFOS"), perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid ("HFPO-DA", commonly known as "GenX Chemicals"), perfluorohexane sulfonic acid ("PFHxS"), and perfluorobutane sulfonic acid ("PFBS"). The proposed regulations would establish legally enforceable levels for PFAS in drinking water. The EPA anticipates issuing a final rule in 2024 and utilities will be provided a three-year window to comply with the new regulations once finalized, although the Safe Drinking Water Act allows utilities to request an additional two years if capital improvements are required.

The Company performed an initial review of the NPDWR to assess the four parts per trillion requirements for PFAS and the application of the Hazard Index approach for PFNA, PFBS, PFHxS, and GenX Chemicals. On May 24, 2023, the Company submitted comments to the EPA outlining its position on key issues to address the proposed regulations, including its projected costs associated with PFAS treatment at the proposed limits and the potential impact to customers' bills. The Company estimates an investment of approximately $1 billion of capital expenditures to install additional treatment facilities over a three to five-year period in order to comply with the proposed regulations. Additionally, the Company estimates annual operating expenses up to approximately $50 million related to testing and treatment in today's dollars. These are preliminary estimates based on the proposed rule. The actual expenses may differ from these preliminary estimates and will be dependent upon multiple factors, including the final rule and effective date, as well as the completion of a system-by-system engineering analysis.

The Company supports sound policies and compliance with the NPDWR by all water utilities, while protecting customers and communities from the costly burden of monitoring and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable and is participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. For more information on the PFAS multi-district litigation, see Item 3—Legal Proceedings—PFAS Multi-District Litigation.

Operational Excellence

The Company's adjusted regulated O&M efficiency ratio was 32.8% for the year ended December 31, 2023, compared to 33.7% for the year ended December 31, 2022. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below, as well as the continued focus on operating costs.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Annual Report on Form 10-K.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

	For the Years Ended December 31,		
(Dollars in millions)	**2023**	**2022**	**2021**
Total operation and maintenance expenses	$ 1,720	$ 1,589	$ 1,777
Less:			
Operation and maintenance expenses—Other	279	244	452
Total operation and maintenance expenses—Regulated Businesses	1,441	1,345	1,325
Less:			
Regulated purchased water expenses	161	154	153
Allocation of non-operation and maintenance expenses	25	31	34
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,255	$ 1,160	$ 1,138
Total operating revenues	$ 4,234	$ 3,792	$ 3,930
Less:			
Operating revenues—Other	314	287	546
Total operating revenues—Regulated Businesses	3,920	3,505	3,384
Less:			
Regulated purchased water revenues (a)	161	154	153
Revenue reductions from the amortization of EADIT	(66)	(89)	(104)
Adjusted operating revenues—Regulated Businesses (ii)	$ 3,825	$ 3,440	$ 3,335
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	32.8 %	33.7 %	34.1 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Missouri	May 28, 2023	$ 44
Virginia	April 24, 2023 (a)	11
Pennsylvania	January 28, 2023	138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 273

(a) Interim rates were effective May 1, 2022, and the difference between interim and final approved rates were subject to refund. The Virginia State Corporation Commission issued its final Order on April 24, 2023.

On June 29, 2023, the California Public Utilities Commission ("CPUC") issued a decision on the cost of capital application for the Company's California subsidiary, which authorized a return on equity of 8.98% and a capital structure with an equity component of 57.04% for the three-year period from 2022 to 2024. The CPUC's decision was effective from the date of the order through the end of 2024. The decision included a Water Cost of Capital Mechanism (the "WCCM") that allows the California subsidiary to increase its return on equity for the remainder of 2023 and 2024 based on capital market rates. As authorized by the WCCM, the California subsidiary filed with the CPUC staff advice letters to increase the return on equity. On July 25, 2023, the CPUC staff approved a return on equity of 9.50%, effective July 31, 2023. On November 15, 2023, the CPUC staff approved a return on equity of 10.20%, effective January 1, 2024.

On May 3, 2023, the Missouri Public Service Commission issued an order approving the March 3, 2023, joint settlement agreement in the general rate case filed on July 1, 2022, by the Company's Missouri subsidiary. The general rate case order approved a $44 million annualized increase in water and wastewater revenues, excluding $51 million in previously approved infrastructure surcharges, and authorized implementation of the new water and wastewater rates effective May 28, 2023. The annualized revenue increase was driven primarily by significant incremental capital investments since the Missouri subsidiary's 2021 rate case order. The Missouri subsidiary's view of its rate base was $2.3 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) was 9.75% and 50.0%, respectively.

On April 24, 2023, the Virginia State Corporation Commission issued an order approving the settlement of the rate case filed on September 26, 2022, by the Company's Virginia subsidiary. The general rate case order approved an $11 million annualized increase in water and wastewater revenues. Interim rates in this proceeding were effective on May 1, 2022, and the order required that the difference between interim and the final approved rates were subject to refund within 90 days of the order issuance. The order approves the settlement terms with a return on equity of 9.7% and a common equity ratio of 40.7%. The annualized revenue increase was driven primarily by significant incremental capital investments since the Virginia subsidiary's 2020 rate case order that have been completed or were planned through April 30, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order includes recovery of the Virginia subsidiary's COVID-19 deferral balance. It also includes approval of the accounting deferral of deviations in pension and other postretirement benefits expense from those established in base rates, until the Virginia subsidiary's next base rate case.

On December 8, 2022, the PaPUC issued an order approving the joint settlement agreement in the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a $138 million annualized increase in water and wastewater revenues, excluding $24 million for previously approved infrastructure filings, and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The annualized revenue increase was driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that were completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Pennsylvania subsidiary's COVID-19 deferral balance. The Pennsylvania subsidiary's view of its rate base was $5.1 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) was 10.0% and 44.8%, respectively.

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues, excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $18 million, effective January 1, 2023, based on an authorized return on equity of 9.78%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase was driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or were planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On January 25, 2024, the Company's Illinois subsidiary filed tariffs for new water and wastewater rates. The request seeks a two-step rate increase consisting of aggregate annualized incremental revenue, based on a proposed return on equity of 10.75%, of (i) approximately $136 million effective January 1, 2025, based on a future test year through December 31, 2025 with average rate base and a capital structure with an equity component of 52.27% and a debt component of 47.73%, and (ii) approximately $16 million effective January 1, 2026, based on a future test year to include end of period rate base and a capital structure with an equity component of 54.43% and a debt component of 45.57%. The requested increases are driven primarily by an estimated $557 million in capital investments to be made by the Illinois subsidiary starting January 2024 through December 2025. The request also proposes a treatment and compliance rider to address recovery of future environmental compliance investments, and a modification to the existing volume balancing account mechanism to include full production cost recovery.

On January 19, 2024, the Company's New Jersey subsidiary filed a general rate case requesting approximately $162 million in additional annualized revenues, which is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 56.30% and a debt component of 43.70%. The requested annualized revenue increase is driven primarily by approximately $1.3 billion in capital investments made and to be made by the New Jersey subsidiary through December 2024. The request also proposes a revenue decoupling mechanism and seeks a deferral of certain production cost adjustments.

On December 15, 2023, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2025. On February 2, 2024, the CPUC granted the request for a one year extension of the cost of capital filing to May 1, 2025, to set its authorized cost of capital beginning January 1, 2026.

On November 8, 2023, the Company's Pennsylvania subsidiary filed a general rate case requesting approximately $204 million in additional annualized revenues, excluding projected infrastructure surcharges of $20 million. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 55.30% and a debt component of 44.70%. The requested annualized incremental revenue increase is driven primarily by an estimated $1.0 billion of incremental capital investments to be made through mid-2025. The request also proposes a mechanism to address compliance with evolving environmental requirements, such as emerging federal regulations for lead and PFAS. If approved, the new rates would be expected to take effect on August 7, 2024.

On November 1, 2023, the Company's Virginia subsidiary filed a general rate case requesting $20 million in additional annualized revenues. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 45.67% and a debt and other component of 54.33%. The requested increase is driven by approximately $110 million in capital investments between May 2023 and April 2025. The request also proposed a revenue decoupling mechanism and seeks deferral of certain production cost adjustments. Interim rates will be effective May 1, 2024, with the difference between interim and final approved rates subject to refund.

On June 30, 2023, the Company's Kentucky subsidiary filed a general rate case requesting $26 million in additional annualized revenues, excluding infrastructure surcharges of $10 million. The request is based on a proposed return on common equity of 10.75% and a proposed capital structure with a common equity component of 52.45%. An order is expected in the general rate case by the end of the first quarter of 2024.

On May 1, 2023, the Company's West Virginia subsidiary filed a general rate case requesting $45 million in additional annualized revenues, excluding previously approved infrastructure surcharges of $7 million. The request is based on a proposed return on equity of 10.50% and a capital structure with an equity component of 52.80%. The general rate case includes a future test year capturing planned investment through 2025 and an order is expected to be issued by February 25, 2024. On June 30, 2023, the West Virginia subsidiary filed its annual infrastructure surcharge requesting $8 million in additional annualized revenues for planned investment through 2024. The infrastructure surcharge will be aligned with the investments recognized in the general rate case if the future test year is approved.

On March 31, 2023, the Company's Indiana subsidiary filed a general rate case requesting $87 million in additional annualized revenues, excluding $41 million of revenue from infrastructure filings already approved, which includes three step increases, with $43 million of the increase to be included in rates in January 2024, $18 million in May 2024, and $26 million in May 2025. The requested adjustment is based on a proposed return on equity of 10.60% and a capital structure with an equity component of 56.20%. Hearings were completed in September and an order is expected in the general rate case by the end of February 2024.

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, all as compared to 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised filing requested additional annualized revenues for the test year 2024 of $37 million, compared to 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million. On November 17, 2023, the California subsidiary filed with the CPUC a partial settlement agreement reached with the CPUC's Public Advocates Office, which would determine the amount of incremental annualized water and wastewater revenue to be received by the California subsidiary to be $20 million in the 2024 test year, $16 million in the 2025 escalation year, and $15 million in the 2026 attrition year. The partial settlement agreement addresses the California subsidiary's revenue requirement request but does not address rate design or certain other matters, such as the requested inclusion and implementation of a revenue stability mechanism to separate the California subsidiary's revenue and water sales. New rates would be implemented retroactively to January 1, 2024, upon a final decision issued by the CPUC approving the partial settlement agreement and resolving the other issues not addressed by the partial settlement agreement, which is expected to occur in mid-2024.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	(a)	$ 32
Kentucky	October 1, 2023	4
Indiana	(b)	26
Missouri	January 16, 2023	14
Pennsylvania	January 1, 2023	3
West Virginia	January 1, 2023	7
Total infrastructure surcharge authorizations		$ 86

(a) In 2023, $15 million was effective October 30, $1 million was effective June 29 and $16 million was effective April 29.

(b) In 2023, $20 million was effective March 23 and $6 million was effective March 8.

Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2024:

(In millions)	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	January 20, 2024	$ 26
Illinois	January 1, 2024	5
Total infrastructure surcharge filings		$ 31

Pending Infrastructure Surcharge Filings

On January 31, 2024, the Company's Iowa subsidiary filed an infrastructure surcharge proceeding requesting $1 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would have become effective upon receiving an order in the current pending rate case. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which, if adopted, will become effective upon receiving an order in the current pending rate case.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities ("NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the decision remains pending. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Operating revenues	$ 4,234	$ 3,792	$ 3,930
Operating expenses:			
Operation and maintenance	1,720	1,589	1,777
Depreciation and amortization	704	649	636
General taxes	307	281	321
Other	(1)	—	—
Total operating expenses, net	2,730	2,519	2,734
Operating income	1,504	1,273	1,196
Other income (expense):			
Interest expense	(460)	(433)	(403)
Interest Income	73	52	4
Non-operating benefit costs, net	32	77	78
Gain on sale of businesses	—	19	747
Other, net	47	20	18
Total other income (expense)	(308)	(265)	444
Income before income taxes	1,196	1,008	1,640
Provision for income taxes	252	188	377
Net income attributable to common shareholders	$ 944	$ 820	$ 1,263

Segment Results of Operations

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. Other primarily includes MSG, which does not meet the criteria of a reportable segment in accordance with GAAP. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. This presentation is consistent with how management assesses the results of these businesses. For a discussion and analysis of the Company's financial statements for fiscal 2022 compared to fiscal 2021, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 15, 2023.

Sale of Homeowner Services Group

On December 9, 2021, the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary (the "Buyer") of funds advised by Apax Partners LLP, a global private equity advisory firm, for total consideration of approximately $1.275 billion, resulting in pre-tax gain of $748 million. The consideration at closing was comprised of $480 million in cash, a secured seller promissory note payable in cash and issued by the Buyer in the principal amount of $720 million, with an interest rate of 7.00% per year, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. For the year ended December 31, 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of $20 million, which is included in Gain on sale of businesses on the Consolidated Statements of Operations. The Company recognized $50 million of interest income during the years ended December 31, 2023 and 2022, from the secured seller note.

On February 2, 2024, the secured seller note was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of the $75 million contingent cash payment payable under the HOS sale agreement. In addition, the interest rate payable on the secured seller note has increased from 7.00% per year to 10.00% per year until maturity. The secured seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants. Certain of these covenants have been amended, including to provide for annual reductions of specified debt incurrence ratios. Furthermore, the amendment to the secured seller note eliminated the conditional right, beginning December 9, 2024, to require a repayment, without premium or penalty, of 100% of the outstanding principal amount in full in cash together with all accrued and unpaid interest and other obligations thereunder. The final maturity date of the secured seller note remains December 9, 2026. The $75 million additional principal under the secured seller note must be repaid in full, without premium or penalty, in the event a proposed acquisition of a complementary business by or on behalf of an affiliate of the Buyer is not completed by May 2, 2024. The repayment obligations of the Buyer under the seller note are secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as Other. Segment results for the year ended December 31, 2021, have been adjusted retrospectively to reflect this change.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Operating revenues	$ 3,920	$ 3,505	$ 3,384
Operation and maintenance	1,441	1,345	1,325
Depreciation and amortization	693	633	601
General taxes	288	264	301
Other operating (income) expense	(1)	—	1
Other income (expense)	(269)	(220)	(195)
Provision for income taxes	259	188	172
Net income attributable to common shareholders	$ 971	$ 854	$ 789

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Water services:			
Residential	$ 2,143	$ 1,941	$ 1,935
Commercial	798	710	676
Fire service	158	147	151
Industrial	167	153	141
Public and other	284	267	239
Total water services	3,550	3,218	3,142
Wastewater services:			
Residential	228	174	151
Commercial	62	45	37
Industrial	8	4	4
Public and other	29	19	16
Total wastewater services	327	242	208
Other (a)	43	45	34
Total operating revenues	$ 3,920	$ 3,505	$ 3,384

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Years Ended December 31,		
	2023	2022	2021
(Gallons in millions)			
Billed water services volumes:			
Residential	160,921	162,105	173,644
Commercial	78,404	77,627	77,476
Industrial	36,404	37,265	35,738
Fire service, public and other	54,236	51,966	51,957
Total billed water services volumes	329,965	328,963	338,815

In 2023, as compared to 2022, operating revenues increased $415 million, primarily due to: (i) a $350 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) a $32 million increase from water and wastewater acquisitions and organic growth in existing systems; (iii) a $19 million estimated net increase primarily due to drier than normal weather in 2023, mainly driven by drought conditions in our Missouri service territory; (iv) a $23 million net increase as a result of reduced amortization of EADIT, primarily in the Company's Pennsylvania subsidiary; and (v) partially offset by a $12 million decrease due to changes in customer demand.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Employee-related costs	$ 513	$ 505	$ 522
Production costs	438	387	353
Operating supplies and services	255	242	245
Maintenance materials and supplies	102	96	93
Customer billing and accounting	65	59	66
Other	68	56	46
Total operation and maintenance expense	$ 1,441	$ 1,345	$ 1,325

Employee-Related Costs

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Salaries and wages	$ 413	$ 395	$ 402
Group insurance	60	59	66
Pensions	9	21	25
Other benefits	31	30	29
Total employee-related costs	$ 513	$ 505	$ 522

In 2023, as compared to 2022, employee-related costs increased $8 million primarily due to annual merit increases and higher employee headcount to support growth of the business, which was partially offset by lower pension service costs, mainly attributable to an increase in the discount rate assumption.

Production Costs

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Purchased water	$ 161	$ 154	$ 153
Fuel and power	108	104	97
Chemicals	105	78	59
Waste disposal	64	51	44
Total production costs	$ 438	$ 387	$ 353

In 2023, as compared to 2022, production costs increased $51 million, primarily due to inflationary impacts from increased fuel, power and chemical costs, as well as an increase in waste disposal maintenance.

Operating Supplies and Services

In 2023, as compared to 2022, operating supplies and services increased $13 million primarily due to an increase in maintenance costs on equipment and buildings.

Other

In 2023, as compared to 2022, other increased $12 million primarily due to an increase to the insurance other than group reserve which had an unfavorable claims experience compared to prior year, as well as higher insurance premiums.

Depreciation and Amortization

In 2023, as compared to 2022, depreciation and amortization increased $60 million primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

In 2023, as compared to 2022, general taxes increased $24 million, primarily due to an increase in the New Jersey Gross Receipts Tax and incremental property taxes.

Other Income (Expense)

In 2023, as compared to 2022, other expenses increased $49 million primarily due to higher net periodic pension and other postretirement benefit costs in the current period as a result of market conditions, as well as higher interest expense from the issuance of incremental long-term debt. These increases were partially offset by an increase in allowance for funds used during construction in the current periods.

Provision for Income Taxes

In 2023, as compared to 2022, the Regulated Businesses' provision for income taxes increased $71 million. The Regulated Businesses' effective income tax rate was 21.1% and 18.0% for the years ended December 31, 2023 and 2022, respectively. The increase was primarily due to the decrease in the amortization of EADIT, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Other

Presented in the table below is information for Other:

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Operating revenues	$ 314	$ 287	$ 546
Operation and maintenance	279	244	452
Depreciation and amortization	11	16	35
General taxes	19	17	20
Interest expense	(96)	(119)	(113)
Interest income	45	50	3
Gain on sale of businesses	—	19	748
Other income	12	6	2
(Benefit from) provision for income taxes	(7)	—	205
Net (loss) income attributable to common shareholders	$ (27)	$ (34)	$ 474

Operating Revenues

In 2023, as compared to 2022, operating revenues increased $27 million from an increase in capital projects in MSG, primarily at the United States Military Academy at West Point, New York and revenue for Naval Station Mayport. The Naval Station Mayport contract was awarded on June 30, 2022, with the performance start date for operation on March 1, 2023.

Operation and Maintenance

Presented in the table below is information regarding the main components of Other's operating and maintenance expense:

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Operating supplies and services	$ 150	$ 120	$ 191
Maintenance materials and supplies	29	35	123
Employee-related costs	85	73	109
Production costs	9	10	7
Other	6	6	22
Total operation and maintenance expense	$ 279	$ 244	$ 452

Operating Supplies and Services

In 2023, as compared to 2022, operating supplies and services increased $30 million primarily due to costs associated with the increased capital projects in MSG.

Employee-Related Costs

In 2023, as compared to 2022, employee-related costs increased $12 million primarily due to salaries and wages and group insurance.

Gain on Sale of Businesses

In 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of $20 million, which increased the total gain related to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Tax Matters

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to net income when determining AFSI. During 2023, the Company evaluated the potential impacts of the CAMT provision within the IRA and available guidance and determined that it did not exceed the $1 billion AFSI threshold and therefore was not subject to CAMT in 2023. Based on current guidance, the Company is expected to be subject to CAMT beginning in 2024, and will continue to evaluate the impacts as additional guidance is released.

Legislative Updates

During 2023 and 2024, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of February 14, 2024:

- California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and was effective on January 1, 2023.
- Indiana passed House Bill 1417, which allows for deferred accounting and subsequent recovery through rates of regulatory assets, with or without Indiana Utility Regulatory Commission (the "IURC") approval. There are several requirements: (i) the costs must be deferred as a regulatory asset, (ii) only incremental costs may be deferred, and (iii) the IURC must find the costs to be reasonable and prudent. Legislation was signed by the Governor and became effective on April 20, 2023.
- Indiana passed Senate Bill 180, which allows for consolidated revenue to support post-acquisition capital improvements in wastewater systems via a service enhancement improvement recovery mechanism. Legislation was signed by the Governor and became effective on May 1, 2023.

- Illinois passed House Bill 1105, which provides that property belonging to a public utility that provides water or sewer service may not be taken or damaged by eminent domain without prior approval from the Illinois Commerce Commission. Legislation was signed by the Governor and became effective on June 9, 2023.
- Illinois passed Senate Bill 250 (Public Act 103-0006), which contains supplemental appropriations for the previous fiscal year 2023 and appropriations for fiscal year 2024. This bill contains a $5 million appropriation to the Department of Commerce and Economic Opportunity for purposes of grants pursuant to the Water and Sewer Financial Assistance Act (Public Act 102-262), which was an initiative of the Company's Illinois subsidiary during the 102nd General Assembly. Legislation was signed by the Governor on June 7, 2023, and the appropriation became effective July 1, 2023.
- California passed Senate Bill 122, which authorizes $300 million in additional funding for the California Water and Wastewater Arrearage Payment Program, and extends the eligibility date from March 2020 to June 2021, to March 2020 to December 2022. Legislation was signed and became effective on July 10, 2023.
- California passed Senate Bill 253, which requires any public or private company that does business in California and has over $1 billion in annual revenue to publicly disclose, beginning in 2026, scope 1, 2, and 3 greenhouse gas emissions released from their operations and supply chain.
- California passed Senate Bill 261, which requires companies doing business in California with greater than $500 million in annual revenues to prepare, beginning in 2026, biennial reports disclosing climate-related financial risk.
- New Jersey passed Assembly Bill 4791, establishing the "Resiliency and Environmental System Investment Charge Program," which creates a regulatory mechanism that enables water and wastewater utilities to recover the costs of investment in certain non-revenue producing utility system components that enhance water and wastewater system resiliency, environmental compliance such as existing and proposed requirements for PFAS, safety, and public health. Legislation was signed by the Governor and became effective on January 12, 2024.

Liquidity and Capital Resources

The Company uses its capital resources, including cash, primarily to (i) fund operating and capital requirements, (ii) pay interest and meet debt maturities, (iii) pay dividends, (iv) fund acquisitions, (v) fund pension and postretirement benefit obligations, and (vi) to pay federal income taxes. The Company invests a significant amount of cash on regulated capital projects where it expects to earn a long-term return on investment. Additionally, the Company operates in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—Regulation and Rate Making for additional information. The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity issuances, in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of payments under a secured seller promissory note, plus interest. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company regularly evaluates and monitors its cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. The Company's business is capital intensive, with a majority of this capital funded by cash flows from operations. The Company also obtains funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings, and may also access the equity capital markets as needed or desired to support capital funding requirements. In order to meet short-term liquidity needs, American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of parent company, issues commercial paper that is supported by its revolving credit facility. The Company's access to external financing on reasonable terms may depend on, as appropriate, any or all of the following: current business conditions, including that of the utility and water utility industry in general; conditions in the debt or equity capital markets; the Company's credit ratings; and conditions in the national and international economic and geopolitical arenas. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit the Company's ability to issue debt and equity securities in the capital markets.

If these unfavorable business, market, financial and other conditions deteriorate to the extent that the Company is no longer able to access the commercial paper and/or capital markets on reasonable terms, AWCC has access to an unsecured revolving credit facility. The Company's revolving credit facility provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. AWCC's revolving credit facility is used principally to support its commercial paper program, to provide additional liquidity support, and to provide a sub-limit for the issuance of up to $150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is $2.60 billion. On October 26, 2023, the termination date of the credit agreement with respect to AWCC's revolving credit facility was extended, as permitted by the terms of the credit agreement, from October 2027 to October 2028. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods, as to which one such extension request remains. As of December 31, 2023, AWCC had no outstanding borrowings and $75 million of outstanding letters of credit under its revolving credit facility, with $2.50 billion available to fulfill its short-term liquidity needs and to issue letters of credit.

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. The Company's future cash flows from operating activities will be affected by, among other things: customers' ability to pay for service in a timely manner, economic utility regulation, inflation, compliance with environmental, health and safety standards, production costs, maintenance costs, customer growth, declining customer usage of water, employee-related costs, including pension funding, weather and seasonality, taxes, and overall economic conditions. The Company's current liabilities may exceed current assets mainly from debt maturities due within one year and the use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, fund acquisitions and construction projects, as well as cash needs, which can fluctuate significantly due to the seasonality of the business and other factors. The Company addresses cash timing differences primarily through its short-term liquidity funding mechanisms.

Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

	For the Years Ended December 31,		
(In millions)	**2023**	**2022**	**2021**
Net income	$ 944	$ 820	$ 1,263
Add (less):			
Depreciation and amortization	704	649	636
Deferred income taxes and amortization of investment tax credits	208	80	230
Other non-cash activities (a)	(9)	(16)	(27)
Changes in working capital (b)	76	(355)	126
Pension and non-pension postretirement benefit contributions	(49)	(51)	(40)
Gain on sale of businesses	—	(19)	(747)
Net cash provided by operating activities	$ 1,874	$ 1,108	$ 1,441

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, income tax receivable, accounts payable and accrued liabilities, accrued taxes and other current assets and liabilities, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

In 2023, cash flows provided by operating activities increased $766 million, primarily due to changes in deferred taxes, working capital and an increase in net income. The change in deferred taxes was driven by the settlement of the deferred tax liability in 2022 related to the Company's New York regulated operations that was sold in the first quarter of 2022. The changes in working capital were primarily driven by $280 million of estimated tax payments for taxable gains on the sales of the Company's Homeowner Services Group and its New York regulated operations in the first half of 2022.

The Company expects to make pension contributions to the plan trusts of $44 million in 2024. Actual amounts contributed could change materially from this estimate as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

	For the Years Ended December 31,		
(In millions)	**2023**	**2022**	**2021**
Capital expenditures	$ (2,575)	$ (2,297)	$ (1,764)
Acquisitions, net of cash acquired	(81)	(315)	(135)
Proceeds from sale of assets, net of cash on hand	—	608	472
Removal costs from property, plant and equipment retirements, net	(159)	(123)	(109)
Net cash used in investing activities	$ (2,815)	$ (2,127)	$ (1,536)

In 2023, cash flows used in investing activities increased $688 million as a result of increased payments for capital expenditures, as well as no assets sales in 2023 whereas 2022 had $608 million of proceeds from the sale of the Company's New York operations. The Company continues to invest across all infrastructure categories, mainly replacement and renewal of transmission and distribution and services, meter and fire hydrants infrastructure in the Company's Regulated Businesses, as discussed below.

The Company's infrastructure investment plan consists of both infrastructure renewal programs, where the Company replaces mains, services, meters, hydrants and valves, as needed, and major capital investment projects, where the Company constructs new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. The Company's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Presented in the table below is a summary of the Company's capital expenditures by category:

	For the Years Ended December 31,		
(In millions)	**2023**	**2022**	**2021**
Transmission and distribution	$ 922	$ 901	$ 749
Treatment and pumping	322	190	197
Services, meter and fire hydrants	652	546	366
General structure and equipment	333	380	251
Sources of supply	88	95	64
Wastewater	258	185	137
Total capital expenditures	$ 2,575	$ 2,297	$ 1,764

In 2023, the Company's capital expenditures increased $278 million due to an increase across most infrastructure categories.

The Company also grows its business primarily through acquisitions of water and wastewater systems. These acquisitions are generally located in geographic proximity to the Company's existing Regulated Businesses and support continued geographical diversification and growth of its operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with long-term financing. During 2023, the Company paid $81 million to fund acquisitions, including deposits for pending acquisitions. The Company closed on 23 acquisitions of various regulated water and wastewater systems during 2023, which added approximately 18,100 water and wastewater customers.

As previously noted, over the next five years the Company expects to invest between $16 billion to $17 billion, with $14.5 billion to $15 billion for infrastructure improvements in the Regulated Businesses, and the Company expects to invest between $34 billion to $38 billion over the next 10 years. In 2024, the Company expects to invest $3.1 billion, consisting of infrastructure improvements and acquisitions in the Regulated Businesses.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

	For the Years Ended December 31,		
(In millions)	**2023**	**2022**	**2021**
Proceeds from long-term debt	$ 1,264	$ 822	$ 1,118
Repayments of long-term debt	(282)	(15)	(372)
(Repayments of) proceeds from term loan	—	—	(500)
Net proceeds from common stock financing	1,688	—	—
Net short-term (repayments) borrowings with maturities less than three months	(996)	591	(198)
Dividends paid	(532)	(467)	(428)
Other financing activities, net (a)	46	69	35
Net cash provided by (used in) financing activities	$ 1,188	$ 1,000	$ (345)

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, advances and contributions in aid of construction, net of refunds, and debt issuance costs and make-whole premiums on early debt redemption.

In 2023, cash flows provided by financing activities increased $188 million, primarily due to the common stock financing and issuance of long-term debt. This was partially offset by repayment in full of the short-term commercial paper obligations during the first half of 2023.

The Company's financing activities are primarily focused on funding regulated infrastructure expenditures, regulated acquisitions and payment of dividends. These activities included the issuance of long-term and short-term debt, primarily through AWCC and equity issuances from parent company. Based on the needs of the Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and parent company. The Regulated Businesses and parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. Parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2023, AWCC has made long-term fixed rate loans to the Regulated Businesses amounting to $7.6 billion. Additionally, as of December 31, 2023, AWCC has made long-term fixed rate loans to parent company amounting to $3.4 billion.

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of parent company common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of AWCC, the wholly owned finance subsidiary of parent company, and for general corporate purposes.

On June 29, 2023, AWCC issued, in a private placement, $1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). AWCC received net proceeds of approximately $1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder was used for general corporate purposes. See Note 11—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts (through AWCC) for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company minimizes the counterparty credit risk on these transactions by dealing only with leading, creditworthy financial institutions, having long-term credit ratings of "A" or better.

In November and December 2023, the Company entered into six treasury lock agreements, each with a term of 10 years, with notional amounts totaling $225 million, to reduce interest rate exposure on debt expected to be issued in 2024. These treasury lock agreements terminate in September 2024, and have an average fixed rate of 4.24%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

During 2022 and the first half of 2023, the Company entered into 11 treasury lock agreements, each with a term of 10 years, with notional amounts totaling $300 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In June 2023, the Company terminated the treasury lock agreements realizing a net gain of $3 million included in Other, net in the accompanying Consolidated Statements of Operations.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2023, 2022 or 2021.

In February 2021, parent company and AWCC filed with the SEC a universal shelf registration statement that enables the Company to meet its capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration statement will expire in February 2024. During 2022 and 2021, $800 million, and $1.10 billion, respectively, of debt securities were issued under this registration statement. During 2023 under this registration statement, parent company issued 12,650,000 shares of its common stock for aggregate net proceeds of approximately $1,688 million.

Presented in the table below are the issuances of long-term debt in 2023:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC (a)	Senior notes—fixed rate	3.63%	3.63%	2026	$ 1,035
AWCC (a)	Private activity bonds and government funded debt—fixed rate	3.70%-3.88%	3.80%	2028	86
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-3.75%	2.88%	2025-2041	143
Total issuances					$ 1,264

(a) This indebtedness is considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness. See "—Issuer and Guarantor of Senior Notes" below.

Presented in the table below are the retirements and redemptions of long-term debt in 2023 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC	Senior notes—fixed rate	6.55%	6.55%	2023	$ 14
AWCC	Private activity bonds and government funded debt—fixed rate	0.60%-2.31%	0.68%	2023-2031	87
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.20%	2023-2051	163
Other American Water subsidiaries	Mortgage bonds—fixed rate	6.76%-6.96%	6.84%	2023	18
Total retirements and redemptions					$ 282

From time to time and as market conditions warrant, the Company may engage in long-term debt retirements through make-whole redemptions, tender offers, open market repurchases or other viable alternatives.

Issuer and Guarantor of Senior Notes

Outstanding unsecured senior notes issued by AWCC (other than the Notes) have been issued under two indentures, each by and between AWCC and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the notes issued thereunder. The Notes were issued under an indenture, by and among AWCC, parent company and U.S. Bank Trust Company, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the Notes. The senior notes and the Notes have been issued with the benefit of a support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness. No other subsidiary of parent company provides guarantees for any of such indebtedness. If AWCC is unable to make timely payment of any interest, principal or premium, if any, on such senior notes or the Notes, parent company will provide to AWCC, at its request or the request of any holder thereof, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any such holder, when due, the support agreement provides that such holder may proceed directly against parent company to enforce such rights or to obtain payment of the defaulted amounts owed to that holder.

As a wholly owned finance subsidiary of parent company, AWCC has no significant assets other than obligations of parent company and certain of its subsidiaries in its Regulated Businesses segment to repay certain intercompany loans made to them by AWCC. AWCC's ability to make payments of amounts owed to holders of the senior notes and the Notes will be dependent upon AWCC's receipt of sufficient payments of amounts owed pursuant to the terms of such intercompany loans and from its ability to issue indebtedness or otherwise obtain loans in the future, the proceeds of which would be used to fund the repayment of the senior notes and the Notes.

Because parent company is a holding company and substantially all of its operations are conducted through its subsidiaries other than AWCC, parent company's ability to fulfill its obligations under the support agreement will be dependent upon its receipt of sufficient cash dividends or distributions from its operating subsidiaries. See Note 9—Shareholders' Equity—Dividends and Distributions, in the Notes to the Consolidated Financial Statements for a summary of the limitations on parent company and its subsidiaries to pay dividends or make distributions. Furthermore, parent company's operating subsidiaries are separate and distinct legal entities and, other than AWCC, have no obligation to make any payments on the senior notes or the Notes or to make available or provide any funds for such payment, other than through their repayment obligations under intercompany loans, if any, with AWCC. Based on the foregoing, parent company's obligations under the support agreement will be effectively subordinated to all indebtedness and other liabilities, including trade payables, lease commitments and moneys borrowed or other indebtedness incurred or issued by parent company's subsidiaries other than AWCC.

Credit Facilities and Short-Term Debt

Interest rates on advances under the AWCC revolving credit facility are based on a credit spread to the Secured Overnight Financing Rate ("SOFR") rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody Investors Service's and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. Indebtedness under the facility and AWCC's commercial paper are considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations thereunder.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2023		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(180)	(75)	(255)
Remaining availability as of December 31, 2023	$ 2,420	$ 75	$ 2,495

(a) Total remaining availability of $2.50 billion as of December 31, 2023, was accessible through revolver draws.

(In millions)	2022 Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	$ 1,423	$ 72	$ 1,495

(a) Total remaining availability of $1.50 billion as of December 31, 2022, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2023 and 2022:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2023	$ 330	$ 2,495	$ 2,825
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580

The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 5.51% and 4.41%, for the years ended December 31, 2023 and 2022, respectively.

Capital Structure

Presented in the table below is the percentage of the Company's capitalization represented by the components of its capital structure as of December 31:

	2023	2022	2021
Total common shareholders' equity	44.2 %	38.3 %	39.9 %
Long-term debt and redeemable preferred stock at redemption value	52.9 %	54.4 %	56.6 %
Short-term debt and current portion of long-term debt	2.9 %	7.3 %	3.5 %
Total	100 %	100 %	100 %

The change in the capital structure mix in 2023 is mainly attributable to the common stock issuance on March 3, 2023, and the long-term debt issuance on June 29, 2023. The proceeds from these issuances were used to repay short-term commercial paper borrowings.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2023, the Company's ratio was 0.56 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of February 14, 2024, as issued by Moody's Investors Service on January 29, 2024, and S&P Global Ratings on February 6, 2023:

Securities	Moody's Investors Service	S&P Global Ratings
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. The Company does not have any material borrowings that are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, power and other fuel, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends and Regulatory Restrictions

For discussion of the Company's dividends, dividend restrictions and dividend policy, see Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Insurance Coverage

The Company carries various property, casualty, cyber and financial insurance policies with limits, deductibles and exclusions that it believes are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience which in turn can impact coverage terms and conditions on a going-forward basis. The Company is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on the Company's short-term and long-term financial condition and its results of operations and cash flows.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and develop estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and judgments applied to these accounting policies could have a significant impact on the Company's financial condition, results of operations and cash flows, as reflected in the Company's Consolidated Financial Statements. Management has reviewed the critical accounting polices described below with the Company's Audit, Finance and Risk Committee, including the estimates, assumptions and judgments used in their application. Additional discussion regarding these critical accounting policies and their application can be found in Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements.

Regulation and Regulatory Accounting

The Company's regulated utilities are subject to regulation by PUCs and, as such, the Company follows the authoritative accounting principles required for rate regulated utilities, which requires the Company to reflect the effects of rate regulation in its Consolidated Financial Statements. Use of this authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2023, the Company concluded that the operations of its utilities met the criteria.

Application of this authoritative guidance has a further effect on the Company's financial statements as it pertains to allowable costs used in the ratemaking process. The Company makes significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgments include, but are not limited to, assets and liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation rates and taxes. Due to timing and other differences in the collection of revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the principles require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers.

For each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable future recovery or probable future settlement, the Company's Consolidated Statements of Operations and financial position could be materially affected. In addition, if the Company concludes in a future period that a separable portion of the business no longer meets the criteria, the Company is required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the Consolidated Financial Statements. Failure to meet the criteria of this authoritative guidance could materially impact the Company's Consolidated Financial Statements.

As of December 31, 2023 and 2022, the Company's regulatory asset balance was $1.1 billion and $1.0 billion, respectively, and its regulatory liability balance was $1.5 billion and $1.6 billion, respectively. See Note 3—Regulatory Matters in the Notes to Consolidated Financial Statements for further information regarding the Company's significant regulatory assets and liabilities.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of NOL carryforwards.

In accordance with applicable authoritative guidance, the Company accounts for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

The Company evaluates the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and its intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. The Company also assesses its ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. The Company records valuation allowances for deferred tax assets when it concludes that it is more-likely-than-not such benefit will not be realized in future periods.

Under GAAP, specifically ASC 740, *Income Taxes*, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. For the Company's regulated entities, the change in deferred taxes are recorded as either an offset to a regulatory asset or a regulatory liability and may be subject to refund to customers. For the Company's unregulated operations, the change in deferred taxes are recorded as a non-cash re-measurement adjustment to earnings.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations, failure to successfully implement tax planning strategies and recovery of taxes through the regulatory process for the Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. The resulting tax balances as of December 31, 2023 and 2022, are appropriately accounted for in accordance with the applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to the Consolidated Financial Statements and such adjustments could be material. See Note 14—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared service operations. The Company also maintains other postretirement benefit plans providing medical and life insurance to eligible retirees. See Note 2—Significant Accounting Policies and Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional information regarding the description of and accounting for the defined benefit pension plans and postretirement benefit plans.

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- Discount Rate—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.
- Expected Return on Plan Assets ("EROA")—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs the Company records currently.
- Rate of Compensation Increase—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement.
- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care.
- Mortality— Management adopted the Society of Actuaries Pri-2012 mortality base table, the most recent table developed from private pension plan experience, which provides rates of mortality in 2012 and adopted the new MP-2021 mortality improvement scale to gradually adjust future mortality rates downward due to increased longevity in each year after 2012.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The weighted-average discount rate assumption for determining pension benefit obligations was 5.18%, 5.58% and 2.94% at December 31, 2023, 2022 and 2021, respectively. The weighted-average discount rate assumption for determining other postretirement benefit obligations was 5.22%, 5.60% and 2.90% at December 31, 2023, 2022 and 2021, respectively.

In selecting an EROA, the Company considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The weighted-average EROA assumption used in calculating pension cost was 6.79% for 2023, 6.50% for 2022 and 6.50% for 2021. The weighted-average EROA assumption used in calculating other postretirement benefit costs was 5.00% for 2023, 3.60% for 2022 and 3.67% for 2021.

Presented in the table below are the allocations of the pension plan assets by asset category:

		Percentage of Plan Assets as of December 31,	
Asset Category	2024 Target Allocation	2023	2022
Equity securities	37 %	41 %	57 %
Fixed income	63 %	59 %	43 %
Total	100 %	100 %	100 %

Presented in the table below are the allocations of the other postretirement benefit plan assets by asset category:

		Percentage of Plan Assets as of December 31,	
Asset Category	2024 Target Allocation (a)	2023	2022
Equity securities	27 %	32 %	30 %
Fixed income	73 %	68 %	70 %
Total	100 %	100 %	100 %

(a) Refer to Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional details on the allocations of assets and the trusts which fund the other postretirement benefit plans

The investments of the pension and postretirement welfare plan trusts include debt and equity securities held either directly or through mutual funds, commingled funds and limited partnerships. The trustee for the Company's defined benefit pension and postretirement welfare plans uses an independent valuation firm to calculate the fair value of plan assets.

In selecting a rate of compensation increase, the Company considers past experience in light of movements in inflation rates. The Company's rate of compensation increase was 3.51% for 2023, 2022 and 2021.

In selecting health care cost trend rates, the Company considers past performance and forecasts of increases in health care costs. As of January 1, 2023, the Company's health care cost trend rate assumption used to calculate the periodic benefit cost was 7.00% in 2023 gradually declining to 5.00% in 2031 and thereafter. As of December 31, 2023, the Company projects that medical inflation will be 6.75% in 2024 gradually declining to 5.00% in 2031 and thereafter.

The Company will use a weighted-average discount rate and EROA of 5.18% and 6.79%, respectively, for estimating its 2024 pension costs. Additionally, the Company will use a weighted-average discount rate and EROA of 5.22% and 5.00%, respectively, for estimating its 2024 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase the Company's pension expense. The Company's 2023 pension and postretirement total net benefit credit was $6 million and the 2022 pension and postretirement total net benefit credit was $47 million. The Company expects to make pension contributions to the plan trusts of $44 million in 2024; however, the actual amounts contributed could change materially from this estimate. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards.

Benefit Plan Amendments

In December 2022, the Company amended the American Water Pension Plan ("AWPP"), a tax-qualified defined benefit pension plan, to restructure it as of December 31, 2022. The restructuring involved the spin-off of certain inactive participants from the existing AWPP into a separate tax-qualified defined benefit pension plan, the American Water Pension Plan for Certain Inactive Participants ("AWPP Inactive"). Benefits offered to the plan participants remain unchanged. Actuarial gains and losses associated with AWPP Inactive are amortized over the average remaining life expectancy of the inactive participants. The actuarial gains and losses associated with the AWPP continued to be amortized over the average remaining service period for active participants. The Company remeasured the pension plan obligation and assets to reflect the amendment for each plan as of December 31, 2022.

In December 2022, the Company completed plan amendments to spin-off and merge a portion of the American Water Retiree Welfare Plan, with and into the Company's medical plan for active employees ("Active Medical Plan"), in order to repurpose the over-funded portion of the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust. Benefits offered to the plan participants remain unchanged. As a result of these changes, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of Active Medical Plan participants ("Active VEBA"). The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately $194 million of assets, as of December 31, 2022, for purposes of paying active union employee medical benefits. The Company recorded the transfer of assets as a negative contribution and therefore did not record a gain or loss, as permitted by accounting guidance. See Note 18—Fair Value of Financial Information in the Notes to Consolidated Financial Statements, for additional information on accounting for the assets as investments in debt and equity securities.

Revenue Recognition

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis, and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for the Company's regulated utilities as of December 31, 2023 and 2022 was $193 million and $178 million, respectively.

The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

The Company also has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue within Other as of December 31, 2023 and 2022, was $109 million and $97 million, respectively.

Revenue from the Company's former HOS business, which was sold in December 2021, was generated through various protection programs in which the Company provided fixed fee services to domestic homeowners and smaller commercial customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters, power surge protection and other related services. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

Accounting for Contingencies

The Company records loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss or a range of losses can be reasonably estimated. The determination of a loss contingency is based on management's judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limited to: the nature of the litigation, claim or assessment, review of applicable law, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. The Company provides disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. The Company provides estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement or other resolution of loss contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the Consolidated Financial Statements. See Note 16—Commitments and Contingencies in the Notes to Consolidated Financial Statements for additional information regarding contingencies.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. The Company is exposed to risks from changes in interest rates as a result of its issuance of variable and fixed rate debt and commercial paper. The Company manages its interest rate exposure by limiting its variable rate exposure and by monitoring the effects of market changes in interest rates. The Company also has the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2023, a hypothetical increase of interest rates by 1% associated with the Company's short-term borrowings would result in a $3 million increase in short-term interest expense.

As of December 31, 2023, the Company had six treasury lock agreements, each with a term of 10 years, with notional amounts totaling $225 million, to reduce interest rate exposure on debt expected to be issued in 2024. These treasury lock agreements terminate in September 2024, and have an average fixed rate of 4.24%. When entering into treasury locks, the Company is subject to market risk with respect to changes in the underlying benchmark interest rate that impacts the fair value of the treasury locks. The Company manages market risk by matching the terms of the treasury locks with the critical terms of the expected debt issuance. The fair value of the treasury locks at December 31, 2023, was in a loss position of $8 million. A hypothetical 1% adverse change in interest rates would result in a decrease in the fair value of the treasury locks to a loss position of approximately $26 million at December 31, 2023.

The Company's risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on the Company's results of operations, financial position and cash flows.

The market price of the Company's common stock may experience fluctuations, which may be unrelated to its operating performance. In particular, the Company's stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for the Company to access the capital markets in the future through additional offerings of its common stock or other equity securities, regardless of its financial performance, and such difficulty may preclude the Company from being able to take advantage of certain business opportunities or meet business obligations.

The Company is exposed to credit risk through its water, wastewater and related services. The Company's Regulated Businesses serve residential, commercial, industrial and other customers, while the businesses within Other engage in business activities with government entities and other customers. The Company's primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. The Company's credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. The Company's credit portfolio is diversified with no significant customer or industry concentrations. In addition, the Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company's retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset values can impact the Company's pension and other benefits expense, funded status and future minimum funding requirements. Changes in interest rates can impact retirement liabilities. The Company aims to reduce risk through asset diversification and by investing in long duration fixed-income securities that have a duration similar to that of its pension liabilities, seeking to hedge some of the interest rate sensitivity of its liabilities. That way, if interest rates fall and liabilities increase, the Company expects that the fixed-income assets in its retirement trust will also increase in value. The Company also expects its risk to be reduced through its ability to recover pension and other benefit costs through rates.

The Company is also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which it operates. The credit quality of the Company's customer accounts receivable is dependent on the economy and the ability of its customers to manage through unfavorable economic cycles and other market changes. In addition, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, the Company's ability to fully recover operating expense, recover its investment and provide an appropriate return on invested capital made in the Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were $1,119 million and $1,482 million, respectively, as of December 31, 2023. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

The principal considerations for our determination that performing procedures relating to accounting for the effects of rate regulation is a critical audit matter are the significant judgment by management in accounting for regulatory assets and liabilities relative to whether regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement as a result of changes in regulatory environments, recent rate orders, and the status of any pending or potential legislation. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence obtained relating to management's judgments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's regulatory accounting process, including controls over management's assessment and consideration of factors related to the probability of future recovery or settlement. These procedures also included, among others, evaluating the reasonableness of management's judgments regarding the probability of recovery and settlement based on the Company's correspondence with regulators, status of regulatory proceedings, past practices, and other relevant information; evaluating the related accounting and disclosure implications; and evaluating regulatory asset and liability balances based on provisions and formulas outlined in rate orders and other correspondence with the Company's regulators.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 14, 2024

We have served as the Company's auditor since 1948.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2023	December 31, 2022
ASSETS		
Property, plant and equipment	$ 32,189	$ 29,736
Accumulated depreciation	(6,751)	(6,513)
Property, plant and equipment, net	25,438	23,223
Current assets:		
Cash and cash equivalents	330	85
Restricted funds	34	32
Accounts receivable, net of allowance for uncollectible accounts of $51 and $60, respectively	339	334
Income tax receivable	86	114
Unbilled revenues	302	275
Materials and supplies	112	98
Other	186	312
Total current assets	1,389	1,250
Regulatory and other long-term assets:		
Regulatory assets	1,106	990
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	86	82
Goodwill	1,143	1,143
Other	416	379
Total regulatory and other long-term assets	3,471	3,314
Total assets	$ 30,298	$ 27,787

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2023	December 31, 2022
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 200,144,968 and 187,200,539 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	8,550	6,824
Retained earnings	1,659	1,267
Accumulated other comprehensive loss	(26)	(23)
Treasury stock, at cost (5,414,867 and 5,342,477 shares, respectively)	(388)	(377)
Total common shareholders' equity	9,797	7,693
Long-term debt	11,715	10,926
Redeemable preferred stock at redemption value	3	3
Total long-term debt	11,718	10,929
Total capitalization	21,515	18,622
Current liabilities:		
Short-term debt	179	1,175
Current portion of long-term debt	475	281
Accounts payable	294	254
Accrued liabilities	791	706
Accrued taxes	67	49
Accrued interest	93	91
Other	252	255
Total current liabilities	2,151	2,811
Regulatory and other long-term liabilities:		
Advances for construction	352	316
Deferred income taxes and investment tax credits	2,717	2,437
Regulatory liabilities	1,481	1,590
Operating lease liabilities	73	70
Accrued pension expense	262	235
Other	196	202
Total regulatory and other long-term liabilities	5,081	4,850
Contributions in aid of construction	1,551	1,504
Commitments and contingencies (See Note 16)		
Total capitalization and liabilities	$ 30,298	$ 27,787

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations
(In millions, except per share data)

	For the Years Ended December 31,		
	2023	2022	2021
Operating revenues	$ 4,234	$ 3,792	$ 3,930
Operating expenses:			
Operation and maintenance	1,720	1,589	1,777
Depreciation and amortization	704	649	636
General taxes	307	281	321
Other	(1)	—	—
Total operating expenses, net	2,730	2,519	2,734
Operating income	1,504	1,273	1,196
Other income (expense):			
Interest expense	(460)	(433)	(403)
Interest income	73	52	4
Non-operating benefit costs, net	32	77	78
Gain on sale of businesses	—	19	747
Other, net	47	20	18
Total other income (expense)	(308)	(265)	444
Income before income taxes	1,196	1,008	1,640
Provision for income taxes	252	188	377
Net income attributable to common shareholders	$ 944	$ 820	$ 1,263
Basic earnings per share: (a)			
Net income attributable to common shareholders	$ 4.90	$ 4.51	$ 6.96
Diluted earnings per share: (a)			
Net income attributable to common shareholders	$ 4.90	$ 4.51	$ 6.95
Weighted average common shares outstanding:			
Basic	193	182	182
Diluted	193	182	182

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2023	2022	2021
Net income attributable to common shareholders	$ 944	$ 820	$ 1,263
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of $(2), $5 and $0 in 2023, 2022 and 2021, respectively	(3)	14	(1)
Defined benefit pension plan actuarial loss, net of tax of $0, $1 and $1 in 2023, 2022 and 2021, respectively	4	3	4
Unrealized gain (loss) on cash flow hedges, net of tax of $0, $1 and $1 in 2023, 2022 and 2021, respectively	(8)	5	1
Unrealized gain (loss) on available-for-sale fixed-income securities, net of tax of $0 in 2023, 2022 and 2021	4	—	—
Net other comprehensive income (loss)	(3)	22	4
Comprehensive income attributable to common shareholders	$ 941	$ 842	$ 1,267

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2023	**2022**	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 944	$ 820	$ 1,263
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	704	649	636
Deferred income taxes and amortization of investment tax credits	208	80	230
Provision for losses on accounts receivable	24	24	37
Gain on sale of businesses	—	(19)	(747)
Pension and non-pension postretirement benefits	(6)	(47)	(41)
Other non-cash, net	(27)	7	(23)
Changes in assets and liabilities:			
Receivables and unbilled revenues	(56)	(114)	(74)
Income tax receivable	28	(110)	21
Pension and non-pension postretirement benefit contributions	(49)	(51)	(40)
Accounts payable and accrued liabilities	70	(8)	66
Accrued taxes	21	(118)	129
Other assets and liabilities, net	13	(5)	(16)
Net cash provided by operating activities	1,874	1,108	1,441
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(2,575)	(2,297)	(1,764)
Acquisitions, net of cash acquired	(81)	(315)	(135)
Proceeds from sale of assets, net of cash on hand	—	608	472
Removal costs from property, plant and equipment retirements, net	(159)	(123)	(109)
Net cash used in investing activities	(2,815)	(2,127)	(1,536)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	1,264	822	1,118
Repayments of long-term debt	(282)	(15)	(372)
(Repayments of) proceeds from term loan	—	—	(500)
Net proceeds from common stock financing	1,688	—	—
Net short-term (repayments) borrowings with maturities less than three months	(996)	591	(198)
Advances and contributions in aid of construction, net of refunds of $25, $19 and $25 in 2023, 2022 and 2021, respectively	60	74	62
Debt issuance costs and make-whole premium on early debt redemption	(16)	(7)	(26)
Dividends paid	(532)	(467)	(428)
Other, net	2	2	(1)
Net cash provided by (used in) financing activities	1,188	1,000	(345)
Net (decrease) increase in cash, cash equivalents and restricted funds	247	(19)	(440)
Cash, cash equivalents and restricted funds at beginning of period	117	136	576
Cash, cash equivalents and restricted funds at end of period	$ 364	$ 117	$ 136
Cash paid during the year for:			
Interest, net of capitalized amount	$ 445	$ 414	$ 389
Income taxes, net of refunds of $30, $2 and $6 in 2023, 2022 and 2021, respectively	$ —	$ 335	$ 1
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	$ 399	$ 330	$ 292
Seller promissory note from the sale of the Homeowner Services Group	$ —	$ —	$ 720
Contingent cash payment from the sale of the Homeowner Services Group	$ —	$ —	$ 75

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity
(In millions, except per share data)

	Common Stock					Treasury Stock		
	Shares	Par Value	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	At Cost	Total Shareholders' Equity
Balance as of December 31, 2020	186.5	$ 2	$ 6,747	$ 102	$ (49)	(5.2)	$ (348)	$ 6,454
Net income attributable to common shareholders	—	—	—	1,263	—	—	—	1,263
Common stock issuances (a)	0.4	—	34	—	—	(0.1)	(17)	17
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends ($2.41 declared per common share)	—	—	—	(440)	—	—	—	(440)
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298
Net income attributable to common shareholders	—	—	—	820	—	—	—	820
Common stock issuances (a)	0.5	—	43	—	—	(0.1)	(12)	31
Net other comprehensive income	—	—	—	—	22	—	—	22
Dividends ($2.62 declared per common share)	—	—	—	(478)	—	—	—	(478)
Balance as of December 31, 2022	187.4	$ 2	$ 6,824	$ 1,267	$ (23)	(5.4)	$ (377)	$ 7,693
Net income attributable to common shareholders	—	—	—	944	—	—	—	944
Common stock issuances (a)	12.7	—	1,726	—	—	(0.1)	(11)	1,715
Net other comprehensive loss	—	—	—	—	(3)	—	—	(3)
Dividends ($2.83 declared per common share)	—	—	—	(552)	—	—	—	(552)
Balance as of December 31, 2023	200.1	$ 2	$ 8,550	$ 1,659	$ (26)	(5.5)	$ (388)	$ 9,797

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and direct stock purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements
(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the "Company" or "American Water") is a holding company for subsidiaries that provide water and wastewater services throughout the United States. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries. The Company's primary business involves the ownership of regulated utilities that provide water and wastewater services in 14 states in the United States, collectively referred to as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These other businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented throughout this Annual Report on Form 10-K within "Other."

Note 2: Significant Accounting Policies

Regulation

The Company's regulated utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions ("PUCs"). As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's Consolidated Financial Statements. PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also approve accounting treatments, long-term financing programs and cost of capital, operation and maintenance ("O&M") expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers, acquisitions and dispositions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility's revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, these principles also require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 3—Regulatory Matters for additional information.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires that management make estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. The Company considers its critical accounting estimates to include (i) the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities, (ii) revenue recognition and the estimates used in the calculation of unbilled revenue, (iii) accounting for income taxes, (iv) benefit plan assumptions and (v) the estimates and judgments used in determining loss contingencies. The Company's critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, income taxes, benefit plan assumptions and contingency-related obligations.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany balances and transactions.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant utilized by the Company's regulated utilities. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction ("AFUDC"). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of utility plant is depreciated using the straight-line average remaining life, group method. The Company's regulated utilities record depreciation in conformity with amounts approved by PUCs, after regulatory review of the information the Company submits to support its estimates of the assets' remaining useful lives.

Nonutility property consists primarily of buildings and equipment utilized by the Military Services Group ("MSG") and for internal operations. This property is stated at cost, net of accumulated depreciation, which is calculated using the straight-line method over the useful lives of the assets.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs, net of amortization, amounted to $419 million and $369 million as of December 31, 2023 and 2022, respectively.

Cash and Cash Equivalents, and Restricted Funds

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted funds consist primarily of proceeds from financings for the construction and capital improvement of facilities, and deposits for future services under O&M projects. Proceeds are held in escrow or interest-bearing accounts until the designated expenditures are incurred. Restricted funds are classified on the Consolidated Balance Sheets as either current or long-term based upon the intended use of the funds.

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers generally on a monthly basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are the trade accounts receivable of other businesses, primarily MSG, and nonutility customer receivables of the regulated subsidiaries. Unbilled revenues are accrued when service has been provided but has not been billed to customers and when costs exceed billings on certain construction contracts.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. See Note 7—Allowance for Uncollectible Accounts for additional information.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Seller Promissory Note

The Company's secured seller promissory note is accounted for under Accounting Standards Codification ("ASC") Topic 310, *Receivables*, and is classified as held for investment and accounted for at amortized cost at the present value of consideration received for the sale of its Homeowner Services Group ("HOS") business. Interest income from the secured seller promissory note is accrued based on the principal amount outstanding and earned over the contractual life of the loan.

Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued liabilities and operating lease liabilities on the Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, accrued liabilities and other long-term liabilities on the Consolidated Balance Sheets. The Company has made an accounting policy election not to include operating leases with a lease term of twelve months or less.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of discounted lease payments. The implicit rate is used when readily determinable. ROU assets also include any upfront lease payments and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g., common-area maintenance costs), which are generally accounted for separately; however, the Company accounts for the lease and non-lease components as a single lease component for certain leases. Certain lease agreements include variable rental payments adjusted periodically for inflation. Additionally, the Company applies a portfolio approach to effectively account for the ROU assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized and must be allocated at the reporting unit level, which is defined as an operating segment or one level below, and tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying value.

The Company's goodwill is primarily associated with the acquisition of American Water by an affiliate of the Company's previous owner in 2003 and has been allocated to reporting units based on the fair values at the date of the acquisitions. For purposes of testing goodwill for impairment, the reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The goodwill of Other is attributable to the MSG reporting unit.

The Company's annual impairment testing is performed as of November 30 of each year. The Company assesses qualitative factors to determine whether quantitative testing is necessary. If it is determined, based upon qualitative factors, that the estimated fair value of a reporting unit is, more likely than not, greater than its carrying value, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment and determines that the estimated fair value of a reporting unit, is more likely than not, less than its carrying value, a quantitative, fair value-based assessment is performed. This quantitative testing compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. An impairment loss will be recognized in the amount equal to the excess of the reporting unit's carrying value compared to its estimated fair value, limited to the total amount of goodwill allocated to that reporting unit.

Application of goodwill impairment testing requires management judgment, including the identification of reporting units and determining the fair value of reporting units. Management estimates fair value using a discounted cash flow analysis. Significant assumptions used in these fair value estimations include, but are not limited to, forecasts of future operating results, discount rate and growth rate.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate, however, if actual experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements. See Note 8—Goodwill for additional information.

Impairment of Long-Lived Assets

Long-lived assets, other than goodwill, primarily include property, plant and equipment. The Company evaluates long-lived assets for impairment when circumstances indicate the carrying value of those assets may not be recoverable. The Company determines if long-lived assets are potentially impaired by comparing the undiscounted expected future cash flows to the carrying value when indicators of impairment exist. When the undiscounted cash flow analysis indicates a long-lived asset may not be recoverable, the amount of the impairment loss is determined by measuring the excess of the carrying amount of the long-lived asset or asset group over its fair value.

The long-lived assets of the Company's regulated utilities are grouped on a separate entity basis for impairment testing, as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company believes the assumptions and other considerations used to value long-lived assets to be appropriate, however, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2023 and 2022, on the Consolidated Balance Sheets are estimated refunds of $18 million and $19 million, respectively. These amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions in aid of construction. Contributions in aid of construction are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions in aid of construction balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions in aid of construction, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was $40 million, $37 million and $36 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Revenue Recognition

Under ASC Topic 606, *Revenue From Contracts With Customers,* and all related amendments (collectively, "ASC 606"), a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under ASC 606, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether any performance obligations are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Regulated Businesses Revenue

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Other Revenue

The Company has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. See Note 4—Revenue Recognition for additional information.

Prior to December 9, 2021, through various warranty protection programs and other home services, the Company previously provided fixed fee services to residential customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters and other home appliances, as well as power surge protection and other related services through its former HOS business. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

Income Taxes

The Company and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis. See Note 14—Income Taxes for additional information.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest, net on the Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in other, net on the Consolidated Statements of Operations. Presented in the table below is AFUDC for the years ended December 31:

	2023	2022	2021
Allowance for other funds used during construction	$ 41	$ 20	$ 27
Allowance for borrowed funds used during construction	24	14	10

Derivative Financial Instruments

The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company designates the derivative as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities on the Consolidated Statements of Cash Flows. See Note 11—Long-Term Debt for additional information.

Pension and Other Postretirement Benefits

The Company maintains defined benefit pension plans and other postretirement benefit plans for eligible employees and retirees. The plan obligation and costs of providing benefits under these plans are annually measured as of December 31. The measurement involves various factors, assumptions and accounting elections. The impact of assumption changes or experience different from that assumed on pension and other postretirement benefit obligations is recognized over time rather than immediately recognized in the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income. Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service period of the current active membership for the plans, with the exception of the American Water Pension Plan for Certain Inactive Participants ("AWPP Inactive"), which is amortized over the average remaining life expectancy of the inactive participants. See Note 15—Employee Benefits for additional information.

The Company's policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2023:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023	Prospective	This standard did not have a material impact on the Consolidated Financial Statements
Troubled Debt Restructurings and Vintage Disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings ("TDRs") by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	This standard did not have a material impact on the Consolidated Financial Statements
Presentation and Disclosure Requirements	The guidance amends GAAP disclosure and presentation requirements for various subtopics in the Financial Accounting Standards Board Codification and was issued in response to the U.S. Securities and Exchange Commission's ("SEC") final rule published in August 2018 that updated and simplified disclosure requirements that it believed were outdated, superseded, overlapping, duplicative and redundant. The new guidance is intended to align GAAP requirements with those of the SEC for all entities.	The date on which the SEC's removal of the related disclosure requirement became effective	Prospective	This standard did not have a material impact on the Consolidated Financial Statements

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2023:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Segment Reporting	The guidance in this standard expands reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Additionally, the guidance enhances interim disclosure requirements, clarifies circumstances in which an entity can disclose multiple segment measures of profit and loss, provides new segment disclosure requirements for entities with a single reportable segment, and other disclosure requirements.	January 1, 2024, effective for fiscal year 2024 and interim periods within fiscal years beginning in 2025	Retrospective	The Company is evaluating the impact on its Consolidated Financial Statements.
Income Taxes	The guidance in this standard requires disclosure of a tax rate reconciliation table, in both percentages and reporting currency amounts, which includes additional categories of information about federal, state, and foreign income taxes and provides further details about reconciling items in certain categories that meet a quantitative threshold. The guidance also requires an annual disclosure of income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes paid, and further disaggregated by jurisdiction based on a quantitative threshold. The standard includes other disclosure requirements and eliminates certain existing disclosure requirements.	January 1, 2025	Prospective, with retrospective application also permitted	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2023:

	Effective Date	Amount
General rate cases by state:		
Missouri	May 28, 2023	$ 44
Virginia	April 24, 2023 (a)	11
Pennsylvania	January 28, 2023	138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 273

(a) Interim rates were effective May 1, 2022, and the difference between interim and final approved rates were subject to refund. The Virginia State Corporation Commission issued its final Order on April 24, 2023.

On June 29, 2023, the California Public Utilities Commission (“CPUC”) issued a decision on the cost of capital application for the Company’s California subsidiary, which authorized a return on equity of 8.98% and a capital structure with an equity component of 57.04% for the three-year period from 2022 to 2024. The CPUC’s decision was effective from the date of the order through the end of 2024. The decision included a Water Cost of Capital Mechanism (the “WCCM”) that allows the California subsidiary to increase its return on equity for the remainder of 2023 and 2024 based on capital market rates. As authorized by the WCCM, the California subsidiary filed with the CPUC staff advice letters to increase the return on equity. On July 25, 2023, the CPUC staff approved a return on equity of 9.50%, effective July 31, 2023. On November 15, 2023, the CPUC staff approved a return on equity of 10.20%, effective January 1, 2024.

On May 3, 2023, the Missouri Public Service Commission issued an order approving the March 3, 2023, joint settlement agreement in the general rate case filed on July 1, 2022, by the Company's Missouri subsidiary. The general rate case order approved a $44 million annualized increase in water and wastewater revenues, excluding $51 million in previously approved infrastructure surcharges, and authorized implementation of the new water and wastewater rates effective May 28, 2023. The annualized revenue increase was driven primarily by significant incremental capital investments since the Missouri subsidiary's 2021 rate case order. The Missouri subsidiary's view of its rate base was $2.3 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) was 9.75% and 50.0%, respectively.

On April 24, 2023, the Virginia State Corporation Commission issued an order approving the settlement of the rate case filed on September 26, 2022, by the Company's Virginia subsidiary. The general rate case order approved an $11 million annualized increase in water and wastewater revenues. Interim rates in this proceeding were effective on May 1, 2022, and the order required that the difference between interim and the final approved rates were subject to refund within 90 days of the order issuance. The order approves the settlement terms with a return on equity of 9.7% and a common equity ratio of 40.7%. The annualized revenue increase was driven primarily by significant incremental capital investments since the Virginia subsidiary's 2020 rate case order that have been completed or were planned through April 30, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order includes recovery of the Virginia subsidiary's COVID-19 deferral balance. It also includes approval of the accounting deferral of deviations in pension and other postretirement benefits expense from those established in base rates, until the Virginia subsidiary's next base rate case.

On December 8, 2022, the Pennsylvania Public Utility Commission (the "PaPUC") issued an order approving the joint settlement agreement in the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a $138 million annualized increase in water and wastewater revenues, excluding $24 million for previously approved infrastructure filings, and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The annualized revenue increase was driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that were completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Pennsylvania subsidiary's COVID-19 deferral balance. The Pennsylvania subsidiary's view of its rate base was $5.1 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) was 10.0% and 44.8%, respectively.

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues, excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $18 million, effective January 1, 2023, based on an authorized return on equity of 9.78%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase was driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or were planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On January 25, 2024, the Company's Illinois subsidiary filed tariffs for new water and wastewater rates. The request seeks a two-step rate increase consisting of aggregate annualized incremental revenue, based on a proposed return on equity of 10.75%, of (i) approximately $136 million effective January 1, 2025, based on a future test year through December 31, 2025 with average rate base and a capital structure with an equity component of 52.27% and a debt component of 47.73%, and (ii) approximately $16 million effective January 1, 2026, based on a future test year to include end of period rate base and a capital structure with an equity component of 54.43% and a debt component of 45.57%. The requested increases are driven primarily by an estimated $557 million in capital investments to be made by the Illinois subsidiary starting January 2024 through December 2025. The request also proposes a treatment and compliance rider to address recovery of future environmental compliance investments, and a modification to the existing volume balancing account mechanism to include full production cost recovery.

On January 19, 2024, the Company's New Jersey subsidiary filed a general rate case requesting approximately $162 million in additional annualized revenues, which is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 56.30% and a debt component of 43.70%. The requested annualized revenue increase is driven primarily by approximately $1.3 billion in capital investments made and to be made by the New Jersey subsidiary through December 2024. The request also proposes a revenue decoupling mechanism and seeks a deferral of certain production cost adjustments.

On December 15, 2023, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2025. On February 2, 2024, the CPUC granted the request for a one year extension of the cost of capital filing to May 1, 2025, to set its authorized cost of capital beginning January 1, 2026.

On November 8, 2023, the Company's Pennsylvania subsidiary filed a general rate case requesting approximately $204 million in additional annualized revenues, excluding projected infrastructure surcharges of $20 million. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 55.30% and a debt component of 44.70%. The requested annualized incremental revenue increase is driven primarily by an estimated $1.0 billion of incremental capital investments to be made through mid-2025. The request also proposes a mechanism to address compliance with evolving environmental requirements, such as emerging federal regulations for lead and per- and polyfluoroalkyl substances. If approved, the new rates would be expected to take effect on August 7, 2024.

On November 1, 2023, the Company's Virginia subsidiary filed a general rate case requesting $20 million in additional annualized revenues. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 45.67% and a debt and other component of 54.33%. The requested increase is driven by approximately $110 million in capital investments between May 2023 and April 2025. The request also proposed a revenue decoupling mechanism and seeks deferral of certain production cost adjustments. Interim rates will be effective May 1, 2024, with the difference between interim and final approved rates subject to refund.

On June 30, 2023, the Company's Kentucky subsidiary filed a general rate case requesting $26 million in additional annualized revenues, excluding infrastructure surcharges of $10 million. The request is based on a proposed return on common equity of 10.75% and a proposed capital structure with a common equity component of 52.45%. An order is expected in the general rate case by the end of the first quarter of 2024.

On May 1, 2023, the Company's West Virginia subsidiary filed a general rate case requesting $45 million in additional annualized revenues, excluding previously approved infrastructure surcharges of $7 million. The request is based on a proposed return on equity of 10.50% and a capital structure with an equity component of 52.80%. The general rate case includes a future test year capturing planned investment through 2025 and an order is expected to be issued by February 25, 2024. On June 30, 2023, the West Virginia subsidiary filed its annual infrastructure surcharge requesting $8 million in additional annualized revenues for planned investment through 2024. The infrastructure surcharge will be aligned with the investments recognized in the general rate case if the future test year is approved.

On March 31, 2023, the Company's Indiana subsidiary filed a general rate case requesting $87 million in additional annualized revenues, excluding $41 million of revenue from infrastructure filings already approved, which includes three step increases, with $43 million of the increase to be included in rates in January 2024, $18 million in May 2024, and $26 million in May 2025. The requested adjustment is based on a proposed return on equity of 10.60% and a capital structure with an equity component of 56.20%. Hearings were completed in September and an order is expected in the general rate case by the end of February 2024.

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, all as compared to 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised filing requested additional annualized revenues for the test year 2024 of $37 million, compared to 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million. On November 17, 2023, the California subsidiary filed with the CPUC a partial settlement agreement reached with the CPUC's Public Advocates Office, which would determine the amount of incremental annualized water and wastewater revenue to be received by the California subsidiary to be $20 million in the 2024 test year, $16 million in the 2025 escalation year, and $15 million in the 2026 attrition year. The partial settlement agreement addresses the California subsidiary's revenue requirement request but does not address rate design or certain other matters, such as the requested inclusion and implementation of a revenue stability mechanism to separate the California subsidiary's revenue and water sales. New rates would be implemented retroactively to January 1, 2024, upon a final decision issued by the CPUC approving the partial settlement agreement and resolving the other issues not addressed by the partial settlement agreement, which is expected to occur in mid-2024.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2023:

	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	(a)	$ 32
Kentucky	October 1, 2023	4
Indiana	(b)	26
Missouri	January 16, 2023	14
Pennsylvania	January 1, 2023	3
West Virginia	January 1, 2023	7
Total infrastructure surcharge authorizations		$ 86

(a) In 2023, $15 million was effective October 30, $1 million was effective June 29 and $16 million was effective April 29.

(b) In 2023, $20 million was effective March 23 and $6 million was effective March 8.

Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2024:

	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	January 20, 2024	$ 26
Illinois	January 1, 2024	5
Total infrastructure surcharge filings		$ 31

Pending Infrastructure Surcharge Filings

On January 31, 2024, the Company's Iowa subsidiary filed an infrastructure surcharge proceeding requesting $1 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would have become effective upon receiving an order in the current pending rate case. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which, if adopted, will become effective upon receiving an order in the current pending rate case.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities ("NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the decision remains pending. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company's total regulatory asset balance at December 31, 2023, earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	2023	2022
Deferred pension expense	$ 308	$ 251
Removal costs recoverable through rates	322	307
Unamortized debt expense	82	76
Regulatory balancing accounts	81	87
Other	313	269
Total regulatory assets	$ 1,106	$ 990

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $300 million and $251 million as of December 31, 2023 and 2022, respectively. The remaining portion is the pension expense in excess of authorized amounts which is deferred by certain subsidiaries and will be recovered in future service rates.

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

Unamortized debt expense is amortized over the lives of the respective issues. Call premiums on the redemption of long-term debt, as well as unamortized debt issuance costs, are deferred and amortized to the extent they will be recovered through future service rates.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs, purchased power and water accounts, dam removal costs and other cost balancing mechanisms.

Other regulatory assets include the financial impacts relating to the COVID-19 pandemic, customer owned lead service line removal costs, purchase premiums recoverable through rates, tank painting costs, certain construction costs for treatment facilities, property tax stabilization, employee-related costs, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

The Company has current regulatory assets of $13 million and $40 million included in other current assets on the Consolidated Balance Sheets as of December 31, 2023 and 2022, respectively.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. Presented in the table below is the composition of regulatory liabilities as of December 31:

	2023	2022
Income taxes recovered through rates	$ 1,064	$ 1,127
Removal costs recovered through rates	254	275
Postretirement benefit liability	85	100
Other	78	88
Total regulatory liabilities	$ 1,481	$ 1,590

Income taxes recovered through rates relate to deferred taxes that will be refunded to the Company's customers. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 ("TCJA") was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, as amended, including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. The enactment of the TCJA required a re-measurement of the Company's deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as the excess accumulated deferred income taxes ("EADIT") will be used to benefit its regulated customers in future rates. All of the Company's regulated subsidiaries are amortizing EADIT and crediting customers.

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful lives that are recovered through customer rates over the lives of the associated assets.

Postretirement benefit liability includes a portion of the over-funded status that is probable of refund through rates in future periods. The remaining portion represents prior service credits resulting from announced plan amendments which changed benefits for certain union and non-union plan participants.

Other regulatory liabilities include the financial impacts relating to the COVID-19 pandemic, TCJA reserves on revenue, pension and other postretirement benefit balancing accounts, legal settlement proceeds, deferred gains and various regulatory balancing accounts.

The Company has current regulatory liabilities of $1 million and $5 million included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2023 and 2022, respectively.

Note 4: Revenue Recognition

Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2023:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 2,143	$ —	$ 2,143
Commercial	798	—	798
Fire service	158	—	158
Industrial	167	—	167
Public and other	274	—	274
Total water services	3,540	—	3,540
Wastewater services:			
Residential	228	—	228
Commercial	62	—	62
Industrial	8	—	8
Public and other	29	—	29
Total wastewater services	327	—	327
Miscellaneous utility charges	35	—	35
Alternative revenue programs	—	10	10
Lease contract revenue	—	8	8
Total Regulated Businesses	3,902	18	3,920
Other	315	(1)	314
Total operating revenues	$ 4,217	$ 17	$ 4,234

(a) Includes revenues associated with alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,938	$ 3	$ 1,941
Commercial	709	1	710
Fire service	147	—	147
Industrial	152	1	153
Public and other	252	—	252
Total water services	3,198	5	3,203
Wastewater services:			
Residential	173	1	174
Commercial	45	—	45
Industrial	4	—	4
Public and other	19	—	19
Total wastewater services	241	1	242
Miscellaneous utility charges	36	—	36
Alternative revenue programs	—	15	15
Lease contract revenue	—	9	9
Total Regulated Businesses	3,475	30	3,505
Other	288	(1)	287
Total operating revenues	$ 3,763	$ 29	$ 3,792

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,935	$ —	$ 1,935
Commercial	676	—	676
Fire service	151	—	151
Industrial	141	—	141
Public and other	230	—	230
Total water services	3,133	—	3,133
Wastewater services:			
Residential	151	—	151
Commercial	37	—	37
Industrial	4	—	4
Public and other	16	—	16
Total wastewater services	208	—	208
Miscellaneous utility charges	26	—	26
Alternative revenue programs	—	9	9
Lease contract revenue	—	8	8
Total Regulated Businesses	3,367	17	3,384
Other	547	(1)	546
Total operating revenues	$ 3,914	$ 16	$ 3,930

(a) Includes revenues associated with alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In MSG, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $95 million, $86 million and $71 million are included in unbilled revenues on the Consolidated Balance Sheets as of December 31, 2023, 2022 and 2021, respectively. There were $87 million of contract assets added during 2023, and $78 million of contract assets were transferred to accounts receivable during 2023. There were $161 million of contract assets added during 2022, and $146 million of contract assets were transferred to accounts receivable during 2022.

Contract liabilities of $63 million, $91 million and $19 million are included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2023, 2022 and 2021, respectively. There were $103 million of contract liabilities added during 2023, and $131 million of contract liabilities were recognized as revenue during 2023. There were $189 million of contract liabilities added during 2022, and $117 million of contract liabilities were recognized as revenue during 2022.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of December 31, 2023, the Company's O&M and capital improvement contracts in MSG and the Contract Services Group have RPOs. Contracts with the U.S. government for work on military installations expire between 2051 and 2073 and have RPOs of $7.2 billion as of December 31, 2023, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of $612 million as of December 31, 2023, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures

Regulated Businesses

Closed Acquisitions

During 2023, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $77 million, which added approximately 18,100 water and wastewater customers. Assets acquired from these acquisitions, principally utility plant, totaled $81 million and liabilities assumed totaled $4 million. This includes the Company's New Jersey subsidiary's acquisition of the water and wastewater assets of Egg Harbor City on June 1, 2023, for a cash purchase price of $22 million, $2 million of which was funded as a deposit to the seller in March 2021 in connection with the execution of the acquisition agreement. Five of these acquisitions were accounted for as business combinations and the assets acquired consisted primarily of utility plant. The preliminary purchase price allocations related to acquisitions accounted for as business combinations will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

During 2022, the Company closed on 26 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $335 million, of which $315 million was funded in 2022, including the acquisition of the City of York wastewater system assets noted below. Assets acquired from these acquisitions, principally utility plant, totaled $337 million and liabilities assumed totaled $6 million. Several of these acquisitions were accounted for as business combinations.

On May 27, 2022, the Company's Pennsylvania subsidiary acquired the public wastewater collection and treatment system assets from the York City Sewer Authority and the City of York for a purchase price of $235 million, in cash, $20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement. The system assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. The acquisition was accounted for as a business combination. The purchase price allocation consisted primarily of $231 million of utility plant and $4 million of goodwill, which is reported in the Company's Regulated Businesses segment.

The pro forma impact of the Company's acquisitions was not material to the Consolidated Statements of Operations for the years ended December 31, 2023, 2022 and 2021.

Pending Acquisitions

On April 6, 2023, the Company's Illinois subsidiary entered into an agreement to acquire the wastewater treatment plant from Granite City for an amended purchase price of $86 million. This plant provides wastewater service for approximately 26,000 customer connections. The Company expects to close this acquisition in the first quarter of 2024.

Effective March 24, 2023, the Company's Pennsylvania subsidiary acquired the rights to buy the wastewater system assets of the Township of Towamencin, for an aggregate purchase price of $104 million, subject to adjustment as provided in the asset purchase agreement. This system provides wastewater services to approximately 6,300 customer connections in seven townships in Montgomery County, Pennsylvania. The Company expects to close this acquisition in late 2024 or early 2025, pending final regulatory approval.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the public wastewater collection and treatment system assets (the "System Assets") from the Butler Area Sewer Authority. On November 9, 2023, the PaPUC approved a settlement agreement without modification with respect to the Company's Pennsylvania subsidiary's application to acquire the System Assets from the Butler Area Sewer Authority for a purchase price of $230 million, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 15,000 customer connections. On December 14, 2023, Center Township and Summit Township filed appeals with the Pennsylvania Commonwealth Court seeking to reverse the order entered by the PaPUC approving the sale of the System Assets. On December 29, 2023, the Company's Pennsylvania subsidiary filed applications with the Commonwealth Court seeking to dismiss the appeals and requesting expedited consideration. By order dated February 1, 2024, the Commonwealth Court deferred deciding the application to dismiss the appeals and directed that the issues raised by the applications to dismiss are to be considered as part of the merits of the appeals. The order also granted expedited consideration and directed the case to be included on the next available list and established a briefing schedule. Based on the court's schedule, the Company estimates that the disposition of the appeals could occur as soon as the second quarter of 2024.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York.

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for $6 million in cash.

Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary (the "Buyer") of funds advised by Apax Partners LLP, a global private equity advisory firm, for total consideration of approximately $1.275 billion, resulting in pre-tax gain of $748 million. The consideration at closing was comprised of $480 million in cash, a secured seller promissory note payable in cash and issued by the Buyer in the principal amount of $720 million, with an interest rate of 7.00% per year, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. For the year ended December 31, 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of $20 million, which is included in Gain on sale of businesses on the Consolidated Statements of Operations. The Company recognized $50 million of interest income during the years ended December 31, 2023 and 2022, from the secured seller note.

On February 2, 2024, the secured seller note was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of the $75 million contingent cash payment payable under the HOS sale agreement. In addition, the interest rate payable on the secured seller note has increased from 7.00% per year to 10.00% per year until maturity. The secured seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants. Certain of these covenants have been amended, including to provide for annual reductions of specified debt incurrence ratios. Furthermore, the amendment to the secured seller note eliminated the conditional right, beginning December 9, 2024, to require a repayment, without premium or penalty, of 100% of the outstanding principal amount in full in cash together with all accrued and unpaid interest and other obligations thereunder. The final maturity date of the secured seller note remains December 9, 2026. The $75 million additional principal under the secured seller note must be repaid in full, without premium or penalty, in the event a proposed acquisition of a complementary business by or on behalf of an affiliate of the Buyer is not completed by May 2, 2024. The repayment obligations of the Buyer under the seller note are secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions.

The secured seller note may not be prepaid at the Buyer's election except in certain limited circumstances before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the secured seller note in breach of this non-call provision, an event of default will occur under the secured seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary "make-whole" payment.

Note 6: Property, Plant and Equipment

Presented in the table below are the major classes of property, plant and equipment by category as of December 31:

	2023	2022	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	$ 293	$ 239		
Sources of supply	1,081	1,003	10 to 127 years	46 years
Treatment and pumping facilities	4,594	4,298	3 to 101 years	39 years
Transmission and distribution facilities	13,900	12,971	6 to 128 years	68 years
Services, meters and fire hydrants	5,696	5,162	5 to 90 years	32 years
General structures and equipment	2,512	2,289	1 to 109 years	16 years
Waste collection	1,719	1,539	5 to 113 years	57 years
Waste treatment, pumping and disposal	1,191	1,129	2 to 153 years	37 years
Construction work in progress	1,040	974		
Other plant	24	23		
Total utility plant	32,050	29,627		
Nonutility property	139	109	3 to 50 years	12 years
Total property, plant and equipment	$ 32,189	$ 29,736		

Property, plant and equipment depreciation expense amounted to $617 million, $552 million and $550 million for the years ended December 31, 2023, 2022 and 2021, respectively and was included in depreciation and amortization expense on the Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.68%, 2.60% and 2.77% for the years ended December 31, 2023, 2022 and 2021, respectively. Additionally, the Company had capital expenditures acquired on account but unpaid of $399 million and $330 million included in accrued liabilities on the Consolidated Balance Sheets as of December 31, 2023 and 2022, respectively.

In connection with the Company's capital investment in its corporate headquarters in Camden, New Jersey, the New Jersey Economic Development Authority ("NJEDA") determined that the Company was qualified to receive $161 million in tax credits over a 10-year period.

The Company is required to meet various annual requirements, including the maintenance of qualified full-time positions at the qualified business facility, in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15.

In December 2022 and March 2023, the NJEDA issued the utilization certificates for the 2019 and 2020 tax credits, respectively, to the Company in the amount of $16 million each. The Company sold these tax credits to external parties for $15 million each. The loss on the sales of the tax credits was recorded to Other income (expense) in the Consolidated Statements of Operations for the years ended December 31, 2023 and 2022. As of December 31, 2023 and 2022, the Company had assets of $32 million and $48 million, respectively, in other current assets and $90 million and $97 million, respectively, in other long-term assets on the Consolidated Balance Sheets as a result of these tax credits. In 2023, the Company reduced net realizable value of the future tax credit receivable by approximately $7 million as the Company does not expect it will be eligible for the full amount of the tax credit resulting from lower than required eligible headcount in the future. In January 2024, the NJEDA issued the utilization certificate for the 2021 tax credit to the Company in the amount of $16 million. The Company sold this tax credit to an external party for $15 million. The loss on the sale of the tax credit will be recorded to Other income (expense) in the Consolidated Statements of Operations for the year ended December 31, 2024. The Company has made the necessary annual filing for the year ended December 31, 2022, and expects to make the 2023 filing in April 2024, prior to the required filing deadline. The submitted filing is under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in 2024.

Note 7: Allowance for Uncollectible Accounts

Presented in the table below are the changes in the allowances for uncollectible accounts for the years ended December 31:

	2023	2022	2021
Balance as of January 1	$ (60)	$ (75)	$ (60)
Amounts charged to expense	(24)	(24)	(37)
Amounts written off	28	27	35
Other, net (a)	5	12	(13)
Balance as of December 31	$ (51)	$ (60)	$ (75)

(a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity. The 2021 activity also includes the portion of the allowance related to the Company's New York subsidiary, which was sold on January 1, 2022. See Note 5—Acquisitions and Divestitures for additional information.

Note 8: Goodwill

Goodwill

Presented in the table below are the changes in the carrying value of goodwill for the years ended December 31, 2023 and 2022:

	Regulated Businesses		Other		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2022	$ 3,466	$ (2,332)	$ 113	$ (108)	$ 3,579	$ (2,440)	$ 1,139
Goodwill from acquisitions	4	—	—	—	4	—	4
Balance as of December 31, 2022	$ 3,470	$ (2,332)	$ 113	$ (108)	$ 3,583	$ (2,440)	$ 1,143
Goodwill from acquisitions	—	—	—	—	—	—	—
Balance as of December 31, 2023	$ 3,470	$ (2,332)	$ 113	$ (108)	$ 3,583	$ (2,440)	$ 1,143

The Company completed its annual impairment testing of goodwill as of November 30, 2023, which included qualitative assessments of its Regulated Businesses and MSG reporting units. Based on these assessments, the Company determined that there were no factors present that would indicate that the fair value of these reporting units was less than their respective carrying values as of November 30, 2023.

In 2023, there were no additions or impairments to the Company's goodwill.

In 2022, the Company acquired goodwill of $4 million associated with one of its acquisitions in the Regulated Businesses segment.

Note 9: Shareholders' Equity

Common Stock Offering

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of parent company common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of parent company, and for general corporate purposes.

Dividend Reinvestment and Direct Stock Purchase Plan

Under the Company's dividend reinvestment and direct stock purchase plan (the "DRIP"), shareholders may reinvest cash common stock dividends and purchase additional shares of Company common stock, up to certain limits, through the plan administrator without paying brokerage commissions. Shares purchased by participants through the DRIP may be newly issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2023, there were approximately 4.1 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allows the Company to purchase up to 10 million shares of its outstanding common stock from time to time over an unrestricted period of time. The Company did not repurchase shares of common stock during the years ended December 31, 2023 and 2022. As of December 31, 2023, there were 5.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2023 and 2022:

	Defined Benefit Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Gain (Loss) on Cash Flow Hedge	Gain (Loss) on Fixed-Income Securities	Accumulated Other Comprehensive Loss
Beginning balance as of January 1, 2022	$ (107)	$ 1	$ 67	$ (6)	$ —	$ (45)
Other comprehensive income (loss) before reclassification	14	—	—	5	—	19
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	—	3
Net other comprehensive income (loss)	14	—	3	5	—	22
Ending balance as of December 31, 2022	$ (93)	$ 1	$ 70	$ (1)	$ —	$ (23)
Other comprehensive income (loss) before reclassification	(3)	—	—	(8)	4	(7)
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	—	4
Net other comprehensive income (loss)	(3)	—	4	(8)	4	(3)
Ending balance as of December 31, 2023	$ (96)	$ 1	$ 74	$ (9)	$ 4	$ (26)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 15—Employee Benefits for additional information.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends and Distributions

The Company's Board of Directors authorizes the payment of dividends. The Company's ability to pay dividends on its common stock is subject to having access to sufficient sources of liquidity, net income and cash flows of the Company's subsidiaries, the receipt of dividends and direct and indirect distributions from, and repayments of indebtedness of, the Company's subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements and other factors.

The Company's dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company's income and cash flows. When dividends on common stock are declared, they are typically paid in March, June, September and December. Historically, dividends have been paid quarterly to holders of record as of a date less than 30 days prior to the distribution date. Since the dividends on the Company's common stock are not cumulative, only declared dividends are paid.

During 2023, 2022 and 2021, the Company paid $532 million, $467 million and $428 million in cash dividends, respectively. Presented in the table below is the per share cash dividends paid for the years ended December 31:

	2023	2022	2021
December	$ 0.7075	$ 0.6550	$ 0.6025
September	$ 0.7075	$ 0.6550	$ 0.6025
June	$ 0.7075	$ 0.6550	$ 0.6025
March	$ 0.6550	$ 0.6025	$ 0.5500

On December 6, 2023, the Company's Board of Directors declared a quarterly cash dividend payment of $0.7075 per share payable on March 1, 2024, to shareholders of record as of February 8, 2024.

Under applicable law, the Company's subsidiaries may pay dividends on their capital stock or other equity only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the amount of the dividend that the subsidiary can pay. The ability of the Company's subsidiaries to pay upstream dividends, make other upstream distributions or repay indebtedness to parent company or AWCC, the Company's wholly owned financing subsidiary, as applicable, is subject to compliance with applicable corporate, tax and other laws, regulatory restrictions and financial and other contractual obligations, including, for example, (i) regulatory capital, surplus or net worth requirements, (ii) outstanding debt service obligations, (iii) requirements to make preferred and preference stock dividend payments, and (iv) other contractual agreements, covenants or obligations made or entered into by the Company and its subsidiaries.

Regulatory Restrictions on Indebtedness

The issuance of long-term debt or equity securities by the Company or long-term debt by AWCC does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. Based on the needs of the Regulated Businesses and parent company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide these borrowings to the Regulated Businesses or parent company. PUC authorization is generally required for the regulated subsidiaries to incur long-term debt. The Company's regulated subsidiaries normally obtain these required PUC authorizations on a periodic basis to cover their anticipated financing needs for a period of time, or, as necessary, in connection with a specific financing or refinancing of debt.

Note 10: Stock Based Compensation

The Company has granted stock units, stock awards and dividend equivalents to non-employee directors, officers and employees pursuant to the terms of the 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"), approved by the Company's shareholders in May 2017. Stock units under the 2017 Omnibus Plan generally vest based on (i) continued employment with the Company ("RSUs"), or (ii) continued employment with the Company where distribution of the shares is subject to the satisfaction in whole or in part of stated performance-based goals ("PSUs"). A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2023, 6.1 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents. Dividend equivalents may be granted only on stock units or other stock-based awards. The 2017 Omnibus Plan expires in 2027.

The Company had granted stock options, stock units, including RSUs and PSUs, and dividend equivalents to non-employee directors, officers and other key employees of the Company under its 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). The 2007 Plan has been replaced by the 2017 Omnibus Plan, as defined above, and no additional awards may be granted under the 2007 Plan. However, shares may still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

The cost of services received from employees in exchange for the issuance of restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock unit awards at the date of the grant is amortized through expense over the requisite service period. All awards granted in 2023, 2022 and 2021 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. There have been no significant adjustments to the forfeiture rates during 2023, 2022 and 2021. There were no grants of stock options to employees after 2016, and there were no stock options outstanding as of December 31, 2022. Presented in the table below is the stock-based compensation expense recorded in O&M expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2023	2022	2021
RSUs and PSUs	$ 23	$ 26	$ 15
Nonqualified employee stock purchase plan	2	2	2
Stock-based compensation	25	28	17
Income tax benefit	(6)	(6)	(4)
Stock-based compensation expense, net of tax	$ 19	$ 22	$ 13

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2023, 2022 and 2021.

Subject to limitations on deductibility imposed by the Federal income tax code, the Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for stock units. For each award, throughout the requisite service period, the Company records the tax impacts related to compensation costs as deferred income tax assets. The tax deductions in excess of the deferred benefits recorded throughout the requisite service period are recorded to the Consolidated Statements of Operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Units

During 2023, 2022 and 2021, the Company granted RSUs to certain employees under the 2017 Omnibus Plan. RSUs generally vest based on continued employment with the Company over periods ranging from one to three years. The RSUs are valued at the closing price of the Company's common stock on the date of the grant and the majority vest ratably over a three-year service period. These RSUs are amortized through expense over the requisite service period using the straight-line method.

During 2023, 2022 and 2021, the Company granted stock units to non-employee directors under the 2017 Omnibus Plan. The stock units were vested in full on the date of grant; however, distribution of the shares will be made within 30 days of the earlier of (i) 15 months after the date of the last annual meeting of shareholders, subject to any deferral election by the director, or (ii) the participant's separation from service. Because these stock units vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

Presented in the table below is RSU and director stock unit activity for the year ended December 31, 2023:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2022	51	$ 130.43
Granted	59	148.93
Vested	(42)	148.17
Forfeited	(4)	149.85
Non-vested total as of December 31, 2023	64	$ 134.61

As of December 31, 2023, $6 million of total unrecognized compensation cost related to the nonvested RSUs is expected to be recognized over the weighted average remaining life of 1.55 years. The total fair value of stock units and RSUs vested was $6 million, $6 million and $9 million for the years ended December 31, 2023, 2022 and 2021, respectively.

During 2023, 2022 and 2021, the Company granted PSUs to certain employees under the 2017 Omnibus Plan. The majority of PSUs vest ratably based on continued employment with the Company over the three-year performance period (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of one or more internal performance measures and, separately, a relative total shareholder return performance measure, over the Performance Period.

Presented in the table below is PSU activity for the year ended December 31, 2023:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2022	231	$ 142.92
Granted	173	159.42
Vested	(149)	161.25
Forfeited	(10)	146.78
Non-vested total as of December 31, 2023	245	$ 143.26

As of December 31, 2023, $9 million of total unrecognized compensation cost related to the nonvested PSUs is expected to be recognized over the weighted average remaining life of 0.84 years. The total fair value of PSUs vested was $31 million, $24 million and $22 million for the years ended December 31, 2023, 2022 and 2021, respectively.

PSUs granted with one or more internal performance measures are valued at the market value of the closing price of the Company's common stock on the date of grant. PSUs granted with a relative total shareholder return condition are valued using a Monte Carlo simulation model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. Presented in the table below are the weighted average assumptions used in the Monte Carlo simulation and the weighted average grant date fair values of PSUs granted for the years ended December 31:

	2023	2022	2021
Expected volatility	25.45%	29.69%	28.59%
Risk-free interest rate	4.31%	1.90%	0.22%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	$168.00	$99.23	$229.22

The grant date fair value of PSUs that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the "ESPP") that expires in 2027 through which employee participants (which excludes certain of the Company's executives) may use payroll deductions to acquire Company common stock at a purchase price of 85% of the fair market value of the common stock at the end of a three-month purchase period. A total of 2.0 million shares may be issued under the ESPP, and as of December 31, 2023, there were 1.5 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2023, 2022 and 2021, the Company issued approximately 87,000, 82,000 and 80,000 shares, respectively, under the ESPP.

Note 11: Long-Term Debt

The Company obtains long-term debt through AWCC primarily to fund capital expenditures of the Regulated Businesses and to lend funds to parent company to refinance debt and for other purposes. Presented in the table below are the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity	2023	2022
Long-term debt of AWCC: (a)					
Senior notes—fixed rate	2.30%-8.27%	3.85%	2024-2051	$ 10,786	$ 9,765
Private activity bonds and government funded debt—fixed rate	1.79%-3.88%	3.07%	2024-2031	188	189
Long-term debt of other American Water subsidiaries:					
Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	2.15%	2024-2051	729	749
Mortgage bonds—fixed rate	6.35%-9.19%	7.38%	2024-2039	516	534
Mandatorily redeemable preferred stock	8.47%-9.75%	8.64%	2036	3	3
Long-term debt		3.89%		12,222	11,240
Unamortized debt discount, net (b)				(11)	(11)
Unamortized debt issuance costs				(18)	(19)
Less current portion of long-term debt				(475)	(281)
Total long-term debt				$ 11,718	$ 10,929

(a) This indebtedness is considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness.

(b) Includes debt discount, net of fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds and $720 million of the private activity bonds and government funded debt held by the Company's subsidiaries were collateralized as of December 31, 2023.

Long-term debt agreements contain a number of covenants that, among other things, limit, subject to certain exceptions, AWCC from issuing debt secured by the Company's consolidated assets. Certain long-term note covenants require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization (each as defined in the relevant documents) of not more than 0.70 to 1.00. The ratio as of December 31, 2023, was 0.56 to 1.00. In addition, the Company has $830 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions, with a weighted average interest rate of 2.51%.

Presented in the table below are future sinking fund payments and debt maturities:

	Amount
2024	$ 475
2025	619
2026	1,478
2027	700
2028	868
Thereafter	8,082

Presented in the table below are the issuances of long-term debt in 2023:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	3.63%	3.63%	2026	$ 1,035
AWCC	Private activity bonds and government funded debt—fixed rate	3.70%-3.88%	3.80%	2028	86
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-3.75%	2.88%	2025-2041	143
Total issuances					$ 1,264

The Company incurred debt issuance costs of $16 million related to the above issuances.

Presented in the table below are the retirements and redemptions of long-term debt in 2023 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	6.55%	6.55%	2023	$ 14
AWCC	Private activity bonds and government funded debt—fixed rate	0.60%-2.31%	0.68%	2023-2031	87
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.20%	2023-2051	163
Other American Water subsidiaries	Mortgage bonds—fixed rate	6.76%-6.96%	6.84%	2023	18
Total retirements and redemptions					$ 282

On June 29, 2023, AWCC issued, in a private placement, $1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the “Notes”). AWCC received net proceeds of approximately $1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC’s commercial paper obligations and the remainder was used for general corporate purposes. The Notes are senior unsecured obligations of AWCC and have the benefit of a support agreement from parent company, which serves as the functional equivalent of a guarantee by parent company of the obligations of AWCC under the Notes. The Notes will mature on June 15, 2026 (the “Maturity Date”), unless earlier exchanged or repurchased.

The Notes are exchangeable at an initial exchange rate of 5.8213 shares of parent company's common stock per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $171.78 per share of common stock). The initial exchange rate of the Notes is subject to adjustment as provided in the indenture pursuant to which the Notes were issued (the “Note Indenture”). Prior to the close of business on the business day immediately preceding March 15, 2026, the Notes are exchangeable at the option of the noteholders only upon the satisfaction of specified conditions and during certain periods described in the Note Indenture. On or after March 15, 2026, until the close of business on the business day immediately preceding the Maturity Date, the Notes will be exchangeable at the option of the noteholders at any time regardless of these conditions or periods. Upon any exchange of the Notes, AWCC will (1) pay cash up to the aggregate principal amount of the Notes and (2) pay or deliver (or cause to be delivered), as the case may be, cash, shares of parent company's common stock, or a combination of cash and shares of such common stock, at AWCC's election, in respect of the remainder, if any, of AWCC’s exchange obligation in excess of the aggregate principal amount of the Notes being exchanged.

AWCC may not redeem the Notes prior to the Maturity Date, and no sinking fund is provided for the Notes. Subject to certain conditions, holders of the Notes will have the right to require AWCC to repurchase all or a portion of their Notes upon the occurrence of a fundamental change, as defined in the Note Indenture, at a repurchase price of 100% of their principal amount plus any accrued and unpaid interest.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations and minimizes this risk by dealing only with leading, creditworthy financial institutions having long-term credit ratings of "A" or better.

In November and December 2023, the Company entered into six treasury lock agreements, each with a term of 10 years, with notional amounts totaling $225 million, to reduce interest rate exposure on debt expected to be issued in 2024. These treasury lock agreements terminate in September 2024, and have an average fixed rate of 4.24%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

During 2022 and the first half of 2023, the Company entered into 11 treasury lock agreements, each with a term of 10 years, with notional amounts totaling $300 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In June 2023, the Company terminated the treasury lock agreements realizing a net gain of $3 million included in Other, net in the accompanying Consolidated Statements of Operations.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2023, 2022 or 2021.

Note 12: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility, and, in the future, issuances of equity. AWCC maintains an unsecured revolving credit facility which provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. On October 26, 2023, the termination date of the credit agreement with respect to AWCC's revolving credit facility was extended, as permitted by the terms of the credit agreement, from October 2027 to October 2028. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods, as to which one such extension request remains. As of December 31, 2023, AWCC had no outstanding borrowings and $75 million of outstanding letters of credit under the revolving credit facility, with $2.50 billion available to fulfill the Company's short-term liquidity needs and to issue letters of credit. The Company regularly evaluates the capital markets and closely monitors the financial condition of the financial institutions with contractual commitments in its revolving credit facility. Interest rates on advances under the facility are based on a credit spread to the Secured Overnight Financing Rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody Investors Service's and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt.

Short-term debt consists of commercial paper and credit facility borrowings totaling $180 million and $1,177 million as of December 31, 2023 and 2022, respectively, or net of discount $179 million and $1,175 million as of December 31, 2023 and 2022, respectively. The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 5.51% and 4.41%, for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2023		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(180)	(75)	(255)
Remaining availability as of December 31, 2023	$ 2,420	$ 75	$ 2,495

(a) Total remaining availability of $2.50 billion as of December 31, 2023, was accessible through revolver draws.

	2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	$ 1,423	$ 72	$ 1,495

(a) Total remaining availability of $1.50 billion as of December 31, 2022, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2023 and 2022, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2023	$ 330	$ 2,495	$ 2,825
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580

Presented in the table below is the short-term borrowing activity for AWCC for the years ended December 31:

	2023	2022
Average borrowings	$ 288	$ 505
Maximum borrowings outstanding	1,570	1,177
Weighted average interest rates, as of December 31	5.51 %	4.41 %

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2023, was 0.56 to 1.00.

The Company does not have any material borrowings that are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under AWCC's revolving credit facility.

Note 13: General Taxes

Presented in the table below are the components of general tax expense for the years ended December 31:

	2023	2022	2021
Property and capital stock	$ 119	$ 108	$ 149
Gross receipts and franchise	134	124	121
Payroll	38	36	39
Other general	16	13	12
Total general taxes	$ 307	$ 281	$ 321

Note 14: Income Taxes

Presented in the table below are the components of income tax expense for the years ended December 31:

	2023	2022	2021
Current income taxes:			
State	$ 16	$ 26	$ 72
Federal	28	82	75
Total current income taxes	$ 44	$ 108	$ 147
Deferred income taxes:			
State	$ 44	$ 24	$ 10
Federal	165	57	221
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	208	80	230
Provision for income taxes	$ 252	$ 188	$ 377

Presented in the table below is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2023	2022	2021
Income tax at statutory rate	21.0 %	21.0 %	21.0 %
Increases (decreases) resulting from:			
State taxes, net of federal taxes	4.0 %	4.1 %	3.9 %
EADIT	(4.2)%	(6.5)%	(3.6)%
Tax impact due to the sale of HOS	— %	— %	1.6 %
Other, net	0.3 %	0.1 %	0.1 %
Effective tax rate	21.1 %	18.7 %	23.0 %

Presented in the table below are the components of the net deferred tax liability as of December 31:

	2023	2022
Deferred tax assets:		
Advances and contributions	$ 478	$ 351
Tax losses and credits	17	19
Regulatory income tax assets	191	203
Pension and other postretirement benefits	75	64
Other	172	140
Total deferred tax assets	933	777
Valuation allowance	(11)	(11)
Total deferred tax assets, net of allowance	$ 922	$ 766
Deferred tax liabilities:		
Property, plant and equipment	$ 3,269	$ 2,872
Deferred pension and other postretirement benefits	84	64
Other	268	249
Total deferred tax liabilities	3,621	3,185
Total deferred tax liabilities, net of deferred tax assets	$ (2,699)	$ (2,419)

As of December 31, 2023 and 2022, the Company had state net operating loss ("NOL") carryforwards of $238 million and $240 million, respectively, a portion of which are offset by a valuation allowance as the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards expire in 2024 through 2043.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for taxable years ended December 31, 2018 and prior.

Presented in the table below are the changes in gross liability, excluding interest and penalties, for unrecognized tax benefits:

	Amount
Balance as of January 1, 2022	$ 140
Increases in current period tax positions	26
Decreases in prior period measurement of tax positions	(8)
Balance as of December 31, 2022	$ 158
Increases in current period tax positions	27
Decreases in prior period measurement of tax positions	(37)
Balance as of December 31, 2023	$ 148

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company does not anticipate material changes to its unrecognized tax benefits within the next year.

If the Company sustains all of its positions as of December 31, 2023, an unrecognized tax benefit of $9 million, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an immaterial amount of interest and penalties related to its tax positions as of December 31, 2023 and 2022.

Presented in the table below are the changes in the valuation allowance:

	Amount
Balance as of January 1, 2021	$ 19
Decreases in current period tax positions	(9)
Balance as of December 31, 2021	$ 10
Increases in current period tax positions	1
Balance as of December 31, 2022	$ 11
Increases in current period tax positions	—
Balance as of December 31, 2023	$ 11

Other Tax Matters

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to net income when determining AFSI. During 2023, the Company evaluated the potential impacts of the CAMT provision within the IRA and available guidance and determined that it did not exceed the $1 billion AFSI threshold and therefore was not subject to CAMT in 2023.

Note 15: Employee Benefits

Overview of Pension and Other Postretirement Benefits Plans

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001, except for specific eligible groups specified in the plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001, and non-union employees hired on or after January 1, 2006, are provided with a defined contribution plan that includes a 5.25% of base pay Company-funded defined contribution account. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental nonqualified pension plans that provide additional retirement benefits to certain employees.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional cash contributions and/or available prefunding balances if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006 ("PPA"). The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 3—Regulatory Matters for additional information. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

In December 2022, the Company amended the American Water Pension Plan ("AWPP"), a tax-qualified defined benefit pension plan, to restructure it as of December 31, 2022. The restructuring involved the spin-off of certain inactive participants from the existing AWPP into a separate tax-qualified defined benefit pension plan, AWPP Inactive. Benefits offered to the plan participants remain unchanged. As a result of the amendment, actuarial gains and losses associated with AWPP Inactive are amortized over the average remaining life expectancy of the inactive participants. The actuarial gains and losses associated with the AWPP will continue to be amortized over the average remaining service period for active participants. The Company remeasured the pension plan obligation and assets to reflect the amendment for each plan as of December 31, 2022.

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed funds in the form of separate accounts, commingled funds and limited partnerships, including equities and fixed income securities.

Pension Plan Assets

The investment policy guideline of the pension plan is focused on diversification, improving returns and reducing the volatility of the funded status over a long-term horizon. The investment policy guidelines of the postretirement plans focus on the appropriate strategy given the funded status of the plans. None of the Company's securities are included in pension or other postretirement benefit plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of December 31, 2023, the fair values and asset allocations of the pension plan assets include the AWPP and AWPP Inactive.

Presented in the tables below are the fair values and asset allocations of the pension plan assets as of December 31, 2023 and 2022, respectively, by asset category:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (a)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2023
Cash	$ 56	$ 56	$ —	$ —	$ —	4 %
Equity securities:						
U.S. large cap	134	23	—	—	111	9 %
U.S. small cap	37	37	—	—	—	3 %
International	235	—	—	—	235	16 %
Real estate fund	132	—	—	—	132	9 %
REITs	6	—	—	—	6	— %
Fixed income securities:						
U.S. Treasury securities and government bonds	234	171	2	—	61	16 %
Corporate bonds	531	—	531	—	—	38 %
Mortgage-backed securities	8	—	8	—	—	1 %
Municipal bonds	23	—	23	—	—	2 %
Long duration bond fund	3	—	—	—	3	— %
Guarantee annuity contracts	32	—	—	32	—	2 %
Total	$ 1,431	$ 287	$ 564	$ 32	$ 548	100 %

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (a)	Net Asset Value as a Practical Expedient (b)	Percentage of Plan Assets as of December 31, 2022
Cash	$ 36	$ 36	$ —	$ —	$ —	3 %
Equity securities:						
U.S. large cap	142	2	—	—	140	10 %
U.S. small cap	79	79	—	—	—	6 %
International	386	2	—	—	384	27 %
Real estate fund	154	—	—	—	154	11 %
REITs	6	—	—	—	6	— %
Fixed income securities:						
U.S. Treasury securities and government bonds	126	119	7	—	—	9 %
Corporate bonds	418	—	418	—	—	30 %
Mortgage-backed securities	8	—	8	—	—	1 %
Municipal bonds	21	—	21	—	—	1 %
Long duration bond fund	3	—	—	—	3	— %
Guarantee annuity contracts	34	—	—	34	—	2 %
Total	$ 1,413	$ 238	$ 454	$ 34	$ 687	100 %

(a) There were no material changes during the period for the fair value measurements using significant unobservable inputs (Level 3) for the years ended December 31, 2023 and 2022, respectively.

(b) The classification of certain assets previously presented as Level 1, 2 and 3 of $140 million, $273 million and $274 million, respectively, as of December 31, 2022, have been adjusted and are now presented as investments for which Net Asset Value (“NAV’) is used as a practical expedient to approximate fair value in accordance with ASU 2015-07 “Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)”.

The Company’s 2024 target pension plan asset allocation is 37% equity securities and 63% fixed income securities. The Company’s 2023 target pension plan asset allocation was 37% equity securities and 63% fixed income securities.

Other Postretirement Benefit Plan Assets

The Company's postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns.

In December 2022, the Company completed plan amendments to spin-off and merge a portion of the American Water Retiree Welfare Plan ("Retiree Welfare Plan"), with and into the Company's medical plan for active employees ("Active Medical Plan"), in order to repurpose the over-funded portion of the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust. Benefits offered to the plan participants remain unchanged. As a result of these changes, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of Active Medical Plan participants ("Active VEBA"). The transfer of these Bargained VEBA investment assets into the Active VEBA permitted access to approximately $194 million of assets for purposes of paying active union employee medical benefits. The Company recorded the transfer of assets as a negative contribution and therefore did not record a gain or loss, as permitted by accounting guidance. See Note 18—Fair Value of Financial Information, for additional information on accounting for the assets as investments in debt and equity securities as of December 31, 2023 and 2022.

The Company engages third-party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g., fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to long duration fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process. For the Bargained VEBA trust, its asset structure is designed to meet the cash flows of the liabilities. This design reduces the plan's exposure to changes in interest rates.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary. The Retiree Welfare Plan is funded by the Bargained VEBA trust, the Non-Bargained Retiree Voluntary Employees' Beneficiary Association ("Non-Bargained VEBA") trust, the Active VEBA trust, and the American Water Life Insurance Voluntary Employees' Beneficiary Association ("Life VEBA") Trust.

Presented in the tables below are the fair values and asset allocations of the postretirement benefit plan assets as of December 31, 2023 and 2022, respectively, by asset category:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2023
Bargained VEBA:						
Cash	$ 4	$ 4	$ —	$ —	$ —	4 %
Fixed income securities:						
U.S. Treasury securities and government bonds	7	7	—	—	—	7 %
Corporate bonds	86	—	86	—	—	85 %
Municipal bonds	4	—	4	—	—	4 %
Total bargained VEBA	$ 101	$ 11	$ 90	$ —	$ —	100 %
Active VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	6 %
Fixed income securities:						
U.S. Treasury securities and government bonds	2	2	—	—	—	6 %
Corporate bonds	26	—	26	—	—	82 %
Municipal bonds	2	—	2	—	—	6 %
Total Active VEBA	$ 32	$ 4	$ 28	$ —	$ —	100 %
Non-bargained VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	2 %
Equity securities:						
U.S. large cap	44	44	—	—	—	35 %
International	30	30	—	—	—	24 %
Fixed income securities:						
Municipal bonds	49	—	49	—	—	39 %
Total non-bargained VEBA	$ 125	$ 76	$ 49	$ —	$ —	100 %
Total	$ 258	$ 91	$ 167	$ —	$ —	100 %

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2022
Bargained VEBA:						
Cash	$ 3	$ 3	$ —	$ —	$ —	2 %
Fixed income securities:						
U.S. Treasury securities and government bonds	131	72	59	—	—	97 %
Long duration bond fund	1	1	—	—	—	1 %
Total bargained VEBA	$ 135	$ 76	$ 59	$ —	$ —	100 %
Non-bargained VEBA:						
Cash	$ 1	$ 1	$ —	$ —	$ —	1 %
Equity securities:						
U.S. large cap	40	40	—	—	—	34 %
International	29	29	—	—	—	25 %
Fixed income securities:						
Municipal bonds	47	—	47	—	—	40 %
Total non-bargained VEBA	$ 117	$ 70	$ 47	$ —	$ —	100 %
Life VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	100 %
Fixed income securities:						
Total life VEBA	$ 2	$ 2	$ —	$ —	$ —	100 %
Total	$ 254	$ 148	$ 106	$ —	$ —	100 %

The Company's 2024 target postretirement benefit plan asset allocation for the Bargained VEBA and Active VEBA is 100% fixed income securities and for the Non-bargained VEBA is 60% equity securities and 40% fixed income securities. The Company's 2023 target postretirement benefit plan asset allocation for the Bargained VEBA and Life VEBA was 100% fixed income securities and for the Non-bargained VEBA was 60% equity securities and 40% fixed income securities.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities —For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Certain equity securities are valued based on quoted prices in active markets and categorized as Level 1. Other equities, such as certain U.S. large cap and international securities held in the pension plan, are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. Since NAV is not directly observable or not available on a nationally recognized securities exchange for the commingled funds and/or limited partnerships, they are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed monthly or more frequently, with 30 or less days of notice and without further restrictions.

Fixed-income securities—Certain U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. These securities are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily. Exchange-traded futures and options, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1. Other U.S. Treasury securities are invested in commingled funds that may implement their investment strategies in a variety of ways which may include direct and/or indirect investment in securities and other instruments or assets (e.g., futures and swaps) or investment in units of other commingled funds. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. Since NAV is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed daily, with no prior notice and without further restrictions.

Real estate fund—Real estate funds are an investment vehicle in the form of a limited partnership primarily focused in real estate investments and are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed quarterly, with 90 or less days of notice, subject to available cash.

REITs—REITs are invested in commingled funds primarily focused in publicly traded shares of real estate investment trusts. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. REITs are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed daily, with no prior notice and without further restrictions.

Guaranteed annuity contracts—Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3.

Benefit Obligations, Plan Assets and Funded Status

Presented in the table below is a rollforward of the changes in the benefit obligation and plan assets for the two most recent years, for all plans combined:

	Pension Benefits		Other Benefits	
	2023	2022	2023	2022
Change in benefit obligation:				
Benefit obligation as of January 1,	$ 1,578	$ 2,294	$ 255	$ 342
Service cost	17	30	2	3
Interest cost	85	64	14	10
Plan participants' contributions	—	—	3	3
Plan amendments	—	—	—	6
Actuarial loss (gain)	67	(582)	(4)	(77)
Divestiture	—	(86)	—	(4)
Settlements	(3)	—	—	—
Gross benefits paid	(118)	(142)	(24)	(28)
Federal subsidy	—	—	1	—
Other adjustments	(4)	—	—	—
Benefit obligation as of December 31,	$ 1,622	$ 1,578	$ 247	$ 255
Change in plan assets:				
Fair value of plan assets as of January 1,	$ 1,413	$ 1,991	$ 254	$ 538
Actual return on plan assets	93	(401)	22	(68)
Employer contributions	46	39	3	12
Plan participants' contributions	—	—	3	3
VEBA transfer	—	—	—	(194)
Divestiture	—	(74)	—	(9)
Settlements	(3)	—	—	—
Benefits paid	(118)	(142)	(24)	(28)
Fair value of plan assets as of December 31,	$ 1,431	$ 1,413	$ 258	$ 254
Funded value as of December 31,	$ (191)	$ (165)	$ 11	$ (1)
Amounts recognized on the balance sheet:				
Noncurrent asset	$ 73	$ 75	$ 12	$ —
Current liability	(2)	(5)	—	—
Noncurrent liability	(262)	(235)	(1)	(1)
Net amount recognized	$ (191)	$ (165)	$ 11	$ (1)

Presented in the table below are the components of accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2023	2022	2023	2022
Net actuarial loss	$ 340	$ 289	$ 30	$ 45
Prior service credit	(8)	(10)	(115)	(145)
Net amount recognized	$ 332	$ 279	$ (85)	$ (100)
Regulatory assets (liabilities)	$ 300	$ 251	$ (85)	$ (100)
Accumulated other comprehensive income	32	28	—	—
Total	$ 332	$ 279	$ (85)	$ (100)

Presented in the tables below are the aggregate projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for pension plans with a projected obligation in excess of plan assets as of December 31, 2023 and 2022:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2023	2022
Projected benefit obligation	$ 952	$ 872
Fair value of plan assets	688	632

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2023	2022
Accumulated benefit obligation	$ 875	$ 793
Fair value of plan assets	688	632

The accumulated postretirement plan assets exceed benefit obligations for the Company's other postretirement benefit plans, except for the Northern Illinois Retiree Welfare Plan, of which the accumulated postretirement benefit obligation is inconsequential for all periods presented.

Contributions

The PPA requires that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to or greater than the minimum required contributions or the normal cost in 2024 to the qualified pension plans. Contributions may be in the form of cash contributions as well as available prefunding balances.

Presented in the table below is information about the expected cash flows for the pension and postretirement benefit plans:

	Pension Benefits	Other Benefits
2024 expected employer contributions:		
To plan trusts	$ 44	$ —
To plan participants	2	—

Estimated Future Benefit Payments

Presented in the table below are the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2024	$ 119	$ 23	$ 1
2025	122	23	1
2026	123	23	1
2027	125	23	1
2028	125	22	1
2029-2033	617	96	3

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Assumptions

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

Presented in the table below are the significant assumptions related to the pension and other postretirement benefit plans:

	Pension Benefits			Other Benefits		
	2023	2022	2021	2023	2022	2021
Weighted average assumptions used to determine December 31 benefit obligations:						
Discount rate	5.18%	5.58%	2.94%	5.22%	5.60%	2.90%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.75% in 2024 to 5.00% in 2031+	graded from 7.00% in 2023 to 5.00% in 2031+	graded from 6.00% in 2022 to 5.00% in 2026+
Weighted average assumptions used to determine net periodic cost:						
Discount rate	5.58%	2.94%	2.74%	5.60%	2.90%	2.56%
Expected return on plan assets	6.79%	6.50%	6.50%	5.00%	3.60%	3.67%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 7.00% in 2023 to 5.00% in 2031+	graded from 6.00% in 2022 to 5.00% in 2026+	graded from 6.25% in 2021 to 5.00% in 2026+

NOTE "N/A" in the table above means assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns. The Company's pension expense increases as the expected return on assets decreases. The Company used a weighted average expected return on plan assets of 6.79% to estimate its 2023 pension benefit costs, and an expected blended return based on weighted assets of 5.00% to estimate its 2023 other postretirement benefit costs.

For the years ended December 31, 2023, 2022 and 2021, the Company's mortality assumption utilized the Pri-2012 base mortality table with the MP-2021 mortality improvement scale.

Components of Net Periodic Benefit Cost

Presented in the table below are the components of net periodic benefit costs for the years ended December 31:

	2023	2022	2021
Components of net periodic pension benefit cost (credit):			
Service cost	$ 17	$ 30	$ 36
Interest cost	85	64	64
Expected return on plan assets	(94)	(122)	(126)
Amortization of prior service (credit) cost	(3)	(3)	(3)
Amortization of actuarial loss	13	21	27
Settlements	1	—	—
Net periodic pension benefit cost (credit)	$ 19	$ (10)	$ (2)
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial (gain) loss	$ 3	$ (14)	$ 1
Amortization of actuarial loss	(4)	(3)	(4)
Total recognized in other comprehensive income	(1)	(17)	(3)
Total recognized in net periodic benefit cost (credit) and other comprehensive income	$ 18	$ (27)	$ (5)
Components of net periodic other postretirement benefit (credit) cost:			
Service cost	$ 2	$ 3	$ 4
Interest cost	14	10	10
Expected return on plan assets	(12)	(19)	(21)
Amortization of prior service credit	(31)	(31)	(32)
Amortization of actuarial loss	2	—	—
Net periodic other postretirement benefit (credit) cost	$ (25)	$ (37)	$ (39)

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company's 401(k) savings plan expenses totaled $14 million, $13 million and $14 million for 2023, 2022 and 2021, respectively. Additionally, the Company's 5.25% of base pay defined contribution benefit expenses totaled $17 million, $16 million and $16 million for 2023, 2022 and 2021, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 16: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to $902 million as of December 31, 2023.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Presented in the table below are the future annual commitments related to minimum quantities of purchased water having non-cancelable contracts:

	Amount
2024	$ 71
2025	70
2026	64
2027	57
2028	57
Thereafter	764

The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. See Note 4—Revenue Recognition for additional information regarding the Company's performance obligations.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2023, the Company has accrued approximately $6 million of probable loss contingencies and has estimated that the maximum amount of loss associated with reasonably possible loss contingencies associated with such actions, which can be reasonably estimated, is $3 million. For certain legal actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such legal actions, other than as described in this Note 16—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed, and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. In July 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. In August 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 2022 order, which petition was denied on June 8, 2023. On August 21, 2023, the Circuit Court set a date of September 9, 2024, for a class trial on issues relating to duty and breach of that duty. The trial will not find class-wide or punitive damages.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. Given the current stage of this proceeding, the Company cannot reasonably estimate the amount of any reasonably possible loss or a range of loss related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law. On September 21, 2023, the court upheld its prior ruling but gave the Tennessee Plaintiffs the option to file an amended class definition. On October 12, 2023, the Tennessee Plaintiffs filed an amended class definition seeking certification of a business customer-only class. On December 1, 2023, TAWC filed a memorandum in opposition to the amended class definition. On January 18, 2024, the court heard oral argument on the motions but issued no decision. The court instead requested additional briefing and a second oral argument, deadlines for which have not yet been set.

The Company and TAWC believe that TAWC has valid, meritorious defenses to the claims raised in this class action complaint. TAWC is vigorously defending itself against these allegations. Given the current stage of this proceeding, the Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of loss related to this proceeding.

Mountaineer Gas Company Main Break

During the afternoon of November 10, 2023, WVAWC was informed that an 8-inch ductile iron water main owned by WVAWC, located on the West Side of Charleston, West Virginia and originally installed in approximately 1989, experienced a leak. In the early morning hours of November 11, 2023, WVAWC crews successfully completed a repair to the water main. A precautionary boil water advisory was issued the same day to approximately 300 WVAWC customers and ultimately lifted on November 12, 2023.

On November 10, 2023, a break was reported in a low-pressure natural gas main located near the affected WVAWC water main, and an inflow of water into the natural gas main and associated delivery pipelines occurred. The natural gas main and pipelines are owned by Mountaineer Gas Company, a regulated natural gas distribution company serving over 220,000 customers in West Virginia ("Mountaineer Gas"). The resulting inflow of water into the natural gas main and related pipelines resulted in a loss of natural gas service to approximately 1,100 Mountaineer Gas customers, as well as water entering customer service lines and certain natural gas appliances owned or used by some of the affected Mountaineer Gas customers. Mountaineer Gas reported that restoration of natural gas service to all affected gas mains occurred on November 24, 2023. The timing, order and causation of both the WVAWC water main break and Mountaineer Gas's main break are currently unknown and under investigation.

To date, a total of four pending lawsuits have been filed against Mountaineer Gas and WVAWC purportedly on behalf of customers in Charleston, West Virginia related to these incidents. On November 14, 2023, a complaint captioned *Ruffin et al. v. Mountaineer Gas Company and West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of Mountaineer Gas residential and business customers and other households and businesses supplied with natural gas in Kanawha County, which lost natural gas service on November 10, 2023, as a result of these events. The complaint alleges, among other things, breach of contract by Mountaineer Gas, trespass by WVAWC, nuisance by WVAWC, violation of statutory obligations by Mountaineer Gas and WVAWC, and negligence by Mountaineer Gas and WVAWC. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for loss of use of natural gas, annoyance, inconvenience and lost profits, as well as punitive damages.

On November 15, 2023, a complaint captioned *Toliver et al. v. West Virginia-American Water Company and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all natural persons or entities who are citizens of the State of West Virginia and who are customers of WVAWC and/or Mountaineer Gas in the affected areas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass and strict liability, as well as breach of contract against Mountaineer Gas. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property damage, loss of use and enjoyment of property, annoyance and inconvenience and business losses, as well as punitive damages.

On November 16, 2023, a complaint captioned *Dodson et al. v. West Virginia American Water and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all West Virginia citizens living between Pennsylvania Avenue south of Washington Street, and Iowa Street, who are customers of Mountaineer Gas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass, statutory code violations and unfair or deceptive business practices. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property loss and damage, loss of use and enjoyment of property, mental and emotional distress, and aggravation and inconvenience, as well as punitive damages.

On January 4, 2024, a fourth complaint, captioned *Thomas v. West Virginia-American Water Company and Mountaineer Gas Company*, was filed in West Virginia Circuit Court in Kanawha County asserting similar allegations as those included in the *Ruffin*, *Toliver* and *Dodson* lawsuits (the "first three lawsuits"), with the addition of counts alleging unjust enrichment and violations of the West Virginia Human Rights Act and the West Virginia Consumer Credit and Protection Act.

On November 17, 2023, the *Ruffin* plaintiff filed a motion to consolidate the first three lawsuits before a single judge in Kanawha County Circuit Court. That motion remains pending.

On December 5, 2023, a complaint captioned *Mountaineer Gas Company v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County seeking damages under theories of trespass, negligence and implied indemnity. The damages being sought related to the incident include, among other things, repair and response costs incurred by Mountaineer Gas and attorneys' fees and expenses incurred by Mountaineer Gas. On December 14, 2023, Mountaineer Gas filed a motion with the Supreme Court of West Virginia to transfer this case to the West Virginia Business Court. On December 29, 2023, WVAWC filed a joinder in the motion to transfer the case. WVAWC has also filed a partial motion to dismiss this lawsuit. These motions remain pending.

On December 20, 2023, Mountaineer Gas filed answers to each of the first three lawsuits, which included cross-claims against WVAWC alleging that Mountaineer Gas is without fault for the claims and damages alleged in the lawsuits and WVAWC should be required to indemnify Mountaineer Gas for any damages and for attorneys' fees and expenses incurred by Mountaineer Gas in the lawsuits. WVAWC has filed a partial motion to dismiss certain claims in the *Ruffin, Toliver, Dodson* and *Thomas* lawsuits and a motion to dismiss the cross-claims asserted against WVAWC therein by Mountaineer Gas. On January 30, 2024, a motion was filed with the West Virginia Supreme Court on behalf of the *Toliver* plaintiff to refer the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On February 7, 2024, WVAWC filed a motion joining in that referral request. These motions remain pending.

On December 6, 2023, WVAWC initiated a process whereby Mountaineer Gas customers could file claims with WVAWC and seek payment from WVAWC of up to $2,000 per affected household for the inconvenience arising from a loss of use of their appliances and documented out-of-pocket expenses as a result of the natural gas outage. As of January 31, 2024, a total of 412 Mountaineer Gas customers completed this claims process and were paid by WVAWC an average of approximately $1,500 each. In return, these customers were required to execute a partial release of liability in favor of WVAWC.

On November 16, 2023, the Public Service Commission of West Virginia (the "WVPSC") issued an order initiating a general investigation into both the water main break and natural gas outages occurring in this incident to determine the cause or causes thereof, as well as breaks and outages generally throughout the systems of WVAWC and Mountaineer Gas and the utility practices of both utilities. Following a series of disagreements among the parties regarding the scope of discovery, the WVPSC closed the general investigation into both utilities and ordered a separate general investigation for each utility. The WVPSC focused the two general investigations away from the cause of the events and instead on the maintenance practices of each utility during and after the main breaks. On January 29, 2024, the Consumer Advocate Division of the WVPSC filed a motion to intervene in the WVAWC general investigation. WVAWC is cooperating with its general investigation. Both general investigations remain pending.

The Company and WVAWC believe that the causes of action and other claims asserted against WVAWC in the class action complaints and the lawsuit filed by Mountaineer Gas are without merit and that WVAWC has meritorious defenses to such claims, and WVAWC is defending itself vigorously in these litigation proceedings. Given the current stage of these proceedings and the general investigation, the Company and WVAWC are currently unable to predict the outcome of any of the proceedings described above, and the Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of loss related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order," and, together with the 2009 Order, the "Orders") approving a deadline of December 31, 2021, for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the Orders.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated incurred costs, plus AFUDC, subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $241 million in aggregate costs as of December 31, 2023, related to the Water Supply Project, which includes $72 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. On December 5, 2022, the CPUC issued a final decision that authorized Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately $62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities. On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022, final decision, and on March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing, but adopting its proposed AFUDC for already incurred and future costs. This decision also provided Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings were scheduled in a Phase 2 to this CPUC proceeding to focus on updated supply and demand estimates for the Water Supply Project, and Phase 2 testimony was completed in September 2022. On October 23, 2023, a status conference was held to determine procedural steps to conclude the proceeding, and further evidentiary hearings have been scheduled for March 2024.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 final decision and its December 2022 final decision, as amended by its March 30, 2023 rehearing decision.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am's appeal of the City's denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

In October 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

In November 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. In December 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency, and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the slant wells. Cal Am is named as a real party in interest. On November 14, 2023, the court set an initial trial date of May 1, 2024. This matter remains pending.

Following the issuance of the coastal development permit, Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2023, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2024 and future years may be impacted by a number of factors, including without limitation potential recurrence of drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The Orders remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the Orders.

Proposed Acquisition of Monterey System Assets — Potential Condemnation

Local Agency Formation Commission Litigation

The water system assets of Cal Am located in Monterey, California (the "Monterey system assets") are the subject of a potential condemnation action by the MPWMD stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. In April 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. In June 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO. In December 2022, the court sustained in part, and denied in part, demurrers that had been filed by LAFCO seeking to dismiss the MPWMD's lawsuit.

On December 11, 2023, the Monterey County Superior Court issued a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey water system assets) and to reconsider the application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. As a result, the LAFCO denial has been nullified and LAFCO will be required to hold another hearing on the MPWMD's application. On February 8, 2024, and February 9, 2024, respectively, Cal Am and LAFCO each filed a notice of appeal with the California Court of Appeals regarding the Monterey County Superior Court's decision to issue the writ of mandate. Cal Am is evaluating potential additional actions to contest the writ of mandate and to seek to uphold LAFCO's denial of the MPWMD's application, including filing other challenges and/or making suitable presentations at a subsequent LAFCO rehearing.

Potential Condemnation Actions by MPWMD

Separate from the proceedings related to the MPWMD's application with LAFCO, by letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requesting access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. On April 28, 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for $448.8 million. Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets. On December 15, 2023, the MPWMD filed a lawsuit in Monterey County Superior Court seeking to condemn the Monterey system assets. While the Company cannot currently predict the outcome of this lawsuit, the Company believes that, given existing legal precedent related to similar attempts by public agencies in California to take over water systems and its other defenses, Cal Am should be able to defend itself successfully against the MPWMD's eminent domain lawsuit.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

As of December 31, 2023, $0.5 million of the aggregate Settlement amount of $126 million remains reflected in accrued liabilities, and $0.5 million in an offsetting insurance receivable remains reflected in other current assets on the Consolidated Balance Sheets pending resolution of all asserted actual or potential claims associated with this matter. The amount reflected in accrued liabilities reflects the status of the liability and the offsetting insurance receivable reflected in other current assets, each as of December 31, 2023.

Note 17: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations for the years ended December 31:

	2023	2022	2021
Numerator:			
Net income attributable to common shareholders	$ 944	$ 820	$ 1,263
Denominator:			
Weighted average common shares outstanding—Basic	193	182	182
Effect of dilutive common stock equivalents	—	—	—
Weighted average common shares outstanding—Diluted	193	182	182

The effect of dilutive common stock equivalents is related to outstanding stock options, RSUs and PSUs granted under the Company's 2007 Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Plan, as well as estimated shares to be purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2023, 2022 and 2021, because their effect would have been anti-dilutive under the treasury stock method.

The if-converted method is applied to the Notes issued in June 2023 for computing diluted EPS. For all periods presented, there was no dilution resulting from the Notes. See Note 11—Long-Term Debt for additional information relating to the Notes.

Note 18: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Secured seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the secured seller promissory note, included as part of the consideration from the sale of HOS is $720 million as of December 31, 2023 and 2022. This amount represents the principal amount owed under the secured seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the secured seller note approximated $704 million and $686 million as of December 31, 2023 and 2022, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The secured seller note is classified as Level 3 within the fair value hierarchy. On February 2, 2024, the secured seller note from the sale of HOS was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of a $75 million contingent cash payment. See Note 5—Acquisitions and Divestitures for additional information.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of December 31, 2023				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt	12,190	9,575	1,044	757	11,376

	As of December 31, 2022				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt (excluding finance lease obligations)	11,207	8,599	49	1,427	10,075

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

Level 3—Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 34	$ —	$ —	$ 34
Rabbi trust investments	22	—	—	22
Deposits	8	—	—	8
Other investments				
Money market and other	26	—	—	26
Fixed-Income Securities	140	6	—	146
Total assets	230	6	—	236
Liabilities:				
Deferred compensation obligations	27	—	—	27
Mark-to-market derivative liability	—	8	—	8
Total liabilities	27	8	—	35
Total assets	$ 203	$ (2)	$ —	$ 201

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 32	$ —	$ —	$ 32
Rabbi trust investments	21	—	—	21
Deposits	7	—	—	7
Other investments				
Money market and other	61	—	—	61
Fixed-Income Securities	147	6	—	153
Contingent cash payment from the sale of HOS	—	—	72	72
Mark-to-market derivative asset	—	1	—	1
Total assets	268	7	72	347
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	$ 244	$ 7	$ 72	$ 323

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of treasury lock agreements, classified as cash flow hedges, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments—As a result of the Retiree Welfare Plan changes discussed in Note 15—Employee Benefits, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of the Active VEBA. The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately $194 million of assets for purposes of paying active union employee medical benefits.

The investments in the Active VEBA trust primarily consist of money market funds and available-for-sale fixed income securities. The money market and other investments have original maturities of three months or less when purchased. The fair value measurement of the money market and other investments is based on observable market prices and therefore included in the recurring fair value measurements hierarchy as Level 1. The available-for-sale fixed income securities are primarily investments in U.S. Treasury securities and government bonds. The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets. Certain U.S. Treasury securities are based on prices that reflect observable market information, such as actual trade information of similar securities, and are therefore categorized as Level 2, because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. The Company includes other investments measured and recorded at fair value on the Consolidated Balance Sheets of $62 million and $67 million in other current assets, as of December 31, 2023 and 2022, respectively, and $111 million and $147 million in other long-term assets, as of December 31, 2023 and 2022, respectively. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income until realized.

The following tables summarize the unrealized positions for available-for-sale fixed income securities as of December 31, 2023 and 2022:

	As of December 31, 2023			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 143	$ 6	$ 3	$ 146

	As of December 31, 2022			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 153	$ —	$ —	$ 153

The fair value of the Company's available-for-sale fixed income securities, summarized by contractual maturities, as of December 31, 2023, is as follows:

	Amount
Other investments - Available-for-sale fixed-income securities	
Less than one year	$ 83
1 year - 5 years	50
5 years - 10 years	4
Greater than 10 years	9
Total	$ 146

Contingent cash payment from the sale of HOS— The Company's contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other current assets on the Consolidated Balance Sheets as of December 31, 2022. The accounting fair value measurement of the contingent cash payment was $72 million as of December 31, 2022, which was reflective of changes in the benchmark interest rate and was estimated using the probability of the outcome of receipt of the $75 million, a Level 3 input.

As of December 31, 2023, the contingent cash payment from the sale of HOS is accounted for as a receivable, as the conditions have been satisfied. The carrying amount of the receivable is included in other long-term assets on the Consolidated Balance Sheets as December 31, 2023, which approximates fair value. On February 2, 2024, the secured seller note from the sale of HOS was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of the $75 million contingent cash payment. See Note 5—Acquisitions and Divestitures for additional information.

Note 19: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one year to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 36 years, five years, and five years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $144 million and $145 million as of December 31, 2023 and 2022, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $4 million in 2024 through 2028, and $41 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating leases were $11 million, $12 million and $13 million for the years ended December 31, 2023, 2022 and 2021, respectively.

For the year ended December 31, 2023, cash paid for amounts in lease liabilities, which includes operating cash flows from operating leases, was $11 million. For the year ended December 31, 2023, ROU assets obtained in exchange for new operating lease liabilities was $11 million.

As of December 31, 2023, the weighted-average remaining lease term of the operating leases was 17 years, and the weighted-average discount rate of the operating leases was 4%.

The future maturities of lease liabilities at December 31, 2023, were $10 million in 2024, $10 million in 2025, $9 million in 2026, $8 million in 2027, $6 million in 2028 and $76 million thereafter. At December 31, 2023, imputed interest was $39 million.

Note 20: Segment Information

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment is the largest component of the Company's business and includes subsidiaries that provide water and wastewater services to customers in 14 states.

The Company also operates other businesses, primarily MSG, which provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These other businesses do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses. The Company's former HOS business, which was sold in the fourth quarter of 2021, was included in "Market-Based Businesses" in the Company's Form 10-K for the year ended December 31, 2021. As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and are shown as Other. Segment results for the year ended December 31, 2021, have been adjusted retrospectively to reflect this change.

The accounting policies of the segments are the same as those described in Note 2—Significant Accounting Policies. The Regulated Businesses segment includes intercompany costs that are allocated by Service Company and intercompany interest that is charged by AWCC, both of which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues include the sale of water from a regulated subsidiary to subsidiaries within Other, leased office space, and furniture and equipment provided by subsidiaries within Other to regulated subsidiaries. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information as of and for the years ended December 31:

	2023		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,920	$ 314	$ 4,234
Depreciation and amortization	693	11	704
Total operating expenses, net	2,421	309	2,730
Interest expense	(364)	(96)	(460)
Interest income	28	45	73
Provision for (benefit from) income taxes	259	(7)	252
Net income (loss) attributable to common shareholders	971	(27)	944
Total assets	27,480	2,818	30,298
Cash paid for capital expenditures	2,551	24	2,575

	2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,505	$ 287	$ 3,792
Depreciation and amortization	633	16	649
Total operating expenses, net	2,242	277	2,519
Interest expense	(314)	(119)	(433)
Interest income	2	50	52
Gain on sale of businesses	—	19	19
Provision for income taxes	188	—	188
Net income (loss) attributable to common shareholders	854	(34)	820
Total assets	25,038	2,749	27,787
Cash paid for capital expenditures	2,284	13	2,297

	2021		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,384	$ 546	$ 3,930
Depreciation and amortization	601	35	636
Total operating expenses, net	2,227	507	2,734
Interest expense	(290)	(113)	(403)
Interest income	1	3	4
(Loss) or gain on sale of businesses	(1)	748	747
Provision for income taxes	172	205	377
Net income attributable to common shareholders	789	474	1,263
Total assets	23,365	2,710	26,075
Cash paid for capital expenditures	1,747	17	1,764

Note 21: Unaudited Quarterly Data

Presented in the tables below are supplemental, unaudited, consolidated, quarterly financial data for each of the four quarters in the years ended December 31, 2023 and 2022, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2023			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 938	$ 1,097	$ 1,167	$ 1,032
Operating income	295	432	478	299
Net income attributable to common shareholders	170	280	323	171
Basic earnings per share: (a)				
Net income attributable to common shareholders	$ 0.91	$ 1.44	$ 1.66	$ 0.88
Diluted earnings per share:				
Net income attributable to common shareholders	0.91	1.44	1.66	0.88

(a) Amounts may not sum due to rounding.

	2022			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 842	$ 937	$ 1,082	$ 931
Operating income	246	327	439	261
Net income attributable to common shareholders	158	218	297	147
Basic earnings per share: (a)				
Net income attributable to common shareholders	$ 0.87	$ 1.20	$ 1.63	$ 0.81
Diluted earnings per share:				
Net income attributable to common shareholders	0.87	1.20	1.63	0.81

(a) Amounts may not sum due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer have concluded that, as of December 31, 2023, the Company's disclosure controls and procedures were effective at a reasonable level of assurance. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's Chief Executive Officer and its Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect its transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of its management and its directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, assessed the effectiveness of its internal control over financial reporting, as of December 31, 2023, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the Company's evaluation under the framework in *Internal Control—Integrated Framework (2013)*, its management concluded that its internal control over financial reporting was effective as of December 31, 2023.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2023, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during its last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 8, 2024, Karl F. Kurz, the Company's Board Chair, was notified by Admiral James G. Stavridis of his decision to resign as a member of the Board of Directors of the Company (the "Board"), effective as of February 12, 2024. Admiral Stavridis's notification stated that he was resigning to focus on all of his professional and personal obligations and that he did not have any disagreements with the Company on any matter relating to the Company's operations, policies or practices. Admiral Stavridis had been a director of the Company since 2018 and served as Chair of the Safety, Environmental, Technology and Operations Committee (the "SETO Committee") since 2021. At the effective time of his resignation, Admiral Stavridis also had served as a member of the Nominating/Corporate Governance Committee. The Company wishes to thank Admiral Stavridis for his many years of service to the Board.

On February 14, 2024, upon the recommendation of the Nominating/Corporate Governance Committee, the Board reduced the size of the Board from ten to nine members and appointed Board member Michael L. Marberry to replace Admiral Stavridis both as Chair of the SETO Committee and as a member of the Nominating/Corporate Governance Committee.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not set forth below or in Item 1—Business—Executive Officers of this Annual Report on Form 10-K, is incorporated by reference from the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Board of Directors and Corporate Governance" and "Proposal 1—Election of Directors."

The Company has adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on the Company's website at *https://amwater.com*. The Company intends to post on its website any amendments to the Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, under the captions entitled "Board of Directors and Corporate Governance—Board Role in Risk Oversight—Executive Development and Compensation Committee Role," "Proposal 1—Election of Directors—Director Compensation Table," "Compensation Discussion and Analysis," "Executive Compensation" (excluding the subsection "Pay Versus Performance"), "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" (with the latter report being furnished, and not filed, in this Annual Report on Form 10-K).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, under the captions entitled "Certain Beneficial Ownership Matters—Security Ownership of Management," "Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, under the caption entitled "Board of Directors and Corporate Governance—Board Review of Related Person Transactions" and "Proposal 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, under the caption entitled "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Fees Paid to Independent Registered Public Accounting Firm" and "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Pre-Approval of Services Provided by Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents have been filed as a part of this Annual Report on Form 10-K:

1. The financial statements listed in the "Index to Consolidated Financial Statements" contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).

2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.

3. Exhibits. The list of documents contained in "Exhibit Index" is provided in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company's or its subsidiaries' securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1.1#	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among American Water Works Company, Inc., Liberty Utilities (Eastern Water Holdings) Corp. and New York American Water Company, Inc., with respect to the Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
2.2#	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, American Water (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Works Company, Inc. and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 8, 2022).
4.1	Indenture, dated as of October 22, 2007, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Indenture, dated as of June 29, 2023, among American Water Capital Corp., American Water Works Company, Inc. and U.S. Bank Trust Company, National Association. (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2023).
4.4	Form of 3.625% Exchangeable Senior Note due 2026 (included in Exhibit 4.3) (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2023).
4.5	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.6	Officers' Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.7	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.8	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.9	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.10	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.11	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).

Exhibit Number	Exhibit Description
4.12	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.13	Officers' Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.14	Officers' Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.15	Officer's Certificate, dated August 9, 2018, establishing the 3.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.16	Officer's Certificate, dated August 9, 2018, establishing the 4.200% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.17	Officers' Certificate, dated May 13, 2019, establishing the 3.450% Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.18	Officers' Certificate, dated May 13, 2019, establishing the 4.150% Senior Notes due 2049 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.19	Officers' Certificate, dated April 14, 2020, establishing the 2.800% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.20	Officers' Certificate, dated April 14, 2020, establishing the 3.450% Senior Notes due 2050 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.21	Officers' Certificate, dated May 14, 2021, establishing the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.22	Officers' Certificate, dated May 14, 2021, establishing the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.23	Officers' Certificate, dated May 5, 2022, establishing the 4.450% Senior Notes due 2032 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 5, 2022).
4.24	Description of American Water Works Company, Inc.'s Equity Securities (filed herewith).
10.1.1#	Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed on October 31, 2022).
10.1.2	First Amendment, dated as of June 21, 2023, to the Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, U.S. Bank National Association, and Bank of America, N.A., as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 26, 2023).
10.1.3	Extension Agreement, dated October 26, 2023, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to American Water Company Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 1, 2023).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Offer Letter for Employment, dated as of February 2, 2022, between American Water Works Company, Inc. and M. Susan Hardwick (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 16, 2022).
10.4*	Offer Letter for Employment, dated February 16, 2021, between American Water Works Company, Inc. and Cheryl Norton (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.5*	Offer Letter for Employment, dated January 21, 2022, between American Water Works Company, Inc. and James H. Gallegos (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.6*	Offer Letter for Employment, dated April 27, 2022, between American Water Works Company, Inc. and John C. Griffith (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 27, 2022).
10.7*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.8*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.9.1*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of June 1, 2018 (incorporated by reference to Exhibit 10.9.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 19, 2019).
10.9.2*	Amendment No. 2019-1 to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as amended and restated, effective as of November 1, 2019 (incorporated by reference to Exhibit 4.1.2 to American Water Works Company, Inc.'s Registration Statement on Form S-8, File No. 333-235598, filed December 19. 2019).
10.10*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.11.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).

Exhibit Number	Exhibit Description
10.11.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.12*	Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 31, 2018).
10.13.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.13.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.2.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.5*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.13.6*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.13.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.14.1*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.14.2*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.3*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.14.4*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant.(incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.5*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.6*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.7*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.8*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.9*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.10*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.11*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.12*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.14.13*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form B-1 (corrected) (incorporated by reference to Exhibit 10.14.33 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.14.14*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.15*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.16*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.17*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.14 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.18*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.19*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-1 (as amended) (incorporated by reference to Exhibit 10.13.23 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 15, 2023).
10.14.20*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).

Exhibit Number	Exhibit Description
10.14.21*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.22*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.23*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.24*	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.25*	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Restricted Stock Unit Grant (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.26*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.27*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form A-2 (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.28*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.29*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form B-2 (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.30*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 26, 2023).
10.15*	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.16*	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.17.1#*	American Water Works Company, Inc. Pension Plan for Employees, as amended and restated effective December 31, 2022 (incorporated by reference to Exhibit 10.16 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 15, 2023).
10.17.2*	American Water Works Company, Inc. Amendment 2023-1 to the Pension Plan for Employees (as amended and restated effective December 31, 2022), dated December 20, 2023 (filed herewith).
10.17.3*	American Water Works Company, Inc. Amendment 2023-2 to the Pension Plan for Employees (as amended and restated effective December 31, 2022), dated December 29, 2023 (filed herewith).
10.18.1#	Secured Seller Note Agreement, dated December 9, 2021, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC, American Water Resources of Florida, LLC, and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
10.18.2#	Amendment No. 1 to Secured Seller Note Agreement, dated as of February 2, 2024, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC, American Water Resources of Florida, LLC, and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed February 5, 2024).
10.19	Revenue Share Agreement, dated December 9, 2021, by and among American Water Works Company, Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC and American Water Resources Holdings, LLC (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
22.1	Guaranteed Securities (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
97.1	American Water Works Company, Inc. Incentive-Based Compensation Recovery Policy, dated as of December 1, 2023 (filed herewith).
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document

Exhibit Number	Exhibit Description
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

Certain schedules and exhibits to this agreement have been omitted as permitted by rules or regulations of the SEC. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

The Stock Purchase Agreement filed as Exhibit 2.1.1, the Membership Interest Purchase Agreement filed as Exhibit 2.2, the Secured Seller Note Agreement filed as Exhibit 10.18.1 and the Amendment to Secured Seller Note Agreement noted filed as Exhibit 10.18.2 to this Annual Report on Form 10-K have been included to provide investors and security holders with information regarding the terms of the respective agreements. The filing of these agreements is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the respective agreements (i) were made by the parties thereto only for purposes of that respective agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the respective agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the respective agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the respective agreements instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties to the respective agreements that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties to the respective agreements thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the respective agreements may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The respective agreements should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 14th day of February, 2024.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 14th day of February, 2024, by the following persons in the capacities indicated.

/s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer and Director)

/s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ MELISSA K. WIKLE

Melissa K. Wikle
Senior Vice President, Chief Accounting Officer
(Principal Accounting Officer)

/s/ LAURIE P. HAVANEC

Laurie P. Havanec
(Director)

/s/ PATRICIA L. KAMPLING

Patricia L. Kampling
(Director)

/s/ MICHAEL L. MARBERRY

Michael L. Marberry
(Director)

/s/ JEFFREY N. EDWARDS

Jeffrey N. Edwards
(Director)

/s/ MARTHA CLARK GOSS

Martha Clark Goss
(Director)

/s/ KIMBERLY J. HARRIS

Kimberly J. Harris
(Director)

/s/ JULIA L. JOHNSON

Julia L. Johnson
(Director)

/s/ KARL F. KURZ

Karl F. Kurz
(Board Chair)

Exhibit 4.24

DESCRIPTION OF AMERICAN WATER WORKS COMPANY, INC.'S EQUITY SECURITIES

The following description of the common stock, par value $0.01 per share (the "Common Stock"), of American Water Works Company, Inc., a Delaware corporation (the "Company"), is not intended to be complete. For more information regarding the Common Stock, please refer to the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation"), and the Company's Amended and Restated Bylaws (the "Bylaws"), which have been included as Exhibit 3.1 and Exhibit 3.2, respectively, to the Company's Annual Report on Form 10-K for the year ended December 31, 2023. The following descriptions are based on the Certificate of Incorporation and Bylaws in effect as of February 14, 2024. The terms and provisions of the Certificate of Incorporation and Bylaws are hereby incorporated by reference herein. The terms of these securities also may be affected by the General Corporation Law of the State of Delaware (the "DGCL").

General

The Company's authorized capital stock consists of 500,000,000 shares of Common Stock and 50,000,000 shares of preferred stock. As of February 6, 2024, there were 194,755,320 shares of Common Stock outstanding and no shares of preferred stock outstanding.

Common Stock

Voting Rights

Other than with respect to director elections, except as otherwise required by law, all matters to be voted on by the Company's shareholders must be approved by a majority of the shares present in person or proxy at such meeting and entitled to vote on the subject matter. With respect to uncontested director elections, the Company's bylaws require that in order to be elected, a director nominee must receive a majority of the votes cast (for this purpose, a majority of the votes cast means that the number of shares voted "for" a director nominee must exceed the number of votes cast "against" that nominee). For contested director elections where the number of nominees exceeds the number of directors to be elected, the Company's bylaws require that the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors.

Dividends

Holders of Common Stock will share equally in any dividend declared by the Company's board of directors (the "Board"), subject to the rights of the holders of any outstanding preferred stock.

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company's affairs, holders of the Company's common stock would be entitled, after payment of the liquidation preference to all holders of any outstanding preferred stock, to share ratably in the Company's assets that are legally available for distribution to shareholders after payment of liabilities. The Company must pay the applicable distribution to any holders of its preferred stock before it may pay distributions to the holders of its common stock.

Other Rights

The Company's shareholders have no preemptive or other rights to subscribe for additional shares.

Preferred Stock

The Board may authorize the issuance of preferred stock from time to time in one or more series, without shareholder approval. Subject to the limits imposed by the DGCL, the Board is authorized to fix for any series of preferred stock the number of shares of such series and the voting powers (if any), designation, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of such series. The Board is also authorized to increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by the Company's shareholders.

The Board may authorize the issuance of preferred stock with voting or conversion rights that affect adversely the voting power or other rights of holders of Common Stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying,

deferring or preventing a change in control, causing the market price of shares of the Company's Common Stock to decline, or impairing the voting and other rights of the holders of the Company's Common Stock.

Certain Anti-Takeover Provisions of the Company's Certificate of Incorporation and Bylaws, and the DGCL

The following provisions of the Company's Certificate of Incorporation and Bylaws could deter, delay or prevent a third party from acquiring the Company, even if doing so would benefit the Company's shareholders.

Undesignated Preferred Stock

The ability to authorize undesignated preferred stock makes it possible for the Board to authorize the issuance of preferred stock with super voting, special approval, dividend or other rights or preferences on a discriminatory basis that could impede the success of any attempt to acquire the Company. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of the Company.

Requirements for Advance Notification of Shareholder Meetings, Nominations and Proposals

The Company's Bylaws provide that special meetings of shareholders may be called only upon the request of the majority of the members of the Board, upon request of the Company's Board Chair, or by the Company's Secretary upon request of shareholders holding at least 15% of the Company's outstanding Common Stock. The Company's Bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting.

The Company's Bylaws establish advance notice procedures with respect to shareholder proposals for annual meetings and the nomination of candidates for election as directors, other than nominations made by or at the direction of the Company's Board or a committee of the Board. A shareholder who wishes to bring a matter before a meeting or submit candidates for nomination as directors must comply with the Company's advance notice requirements and provide the Company with certain information, and, if applicable under the Bylaws, provide to the Company certain agreements and undertakings. Additionally, vacancies and newly created directorships may be filled only by a vote of a majority of the members of the Company's Board then in office, even though less than a quorum, or by shareholders. These provisions may defer, delay or discourage a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of the Company.

Shareholder Action by Written Consent

As permitted by Section 228 of the DGCL, the Company's Certificate of Incorporation states that any action required or permitted to be taken by the Company's shareholders must be effected at a duly called annual or special meeting of the Company's shareholders and may not be effected by consent in writing by such shareholders.

Approval of Acquisition of Control by Public Utility Commission

A significant number of the Company's regulated subsidiaries are subject to economic regulation by state public utility commissions. Some of these states have enacted laws that require regulatory approval for the acquisition of "control" of any regulated utility. In those states, obtaining "control" of the parent or any other company that controls a regulated utility also requires prior regulatory approval. The threshold for a change in control is a fact-specific inquiry that varies by state. For example, in some states, a presumption of control will arise when an acquiring party acquires more than 9.9% of the voting securities of the regulated utility or the controlling entity. In addition to ownership, other states may analyze the degree of influence or control an acquiror may exert over the Company. Any person acquiring the Company's Common Stock in an offering or in any other purchase of the Company's Common Stock in an amount sufficient to trigger a change in control under state law would need the prior approval of the applicable state public utility commission.

Certain Other Provisions of the Certificate of Incorporation and Bylaws and the DGCL

Board of Directors

The Company's Certificate of Incorporation provides that the number of directors is fixed in the manner provided in the Company's Bylaws. The Company's Bylaws provide that the number of directors will be fixed from time to time by the Board.

Business Combinations under the DGCL

The Company is subject to Section 203 of the DGCL, which prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the time the shareholder became an "interested stockholder," subject to certain exceptions, including if, prior to such time, the board of directors approved the business combination or the transaction which resulted in the shareholder becoming an "interested stockholder." "Business combinations" include mergers, asset sales and other transactions resulting in a financial benefit to the "interested stockholder." Subject to various exceptions, an "interested stockholder" is a person who, together with his or her affiliates and associates, owns, or within the prior three years did own, 15% or more of the corporation's outstanding voting stock. These restrictions generally prohibit or delay the accomplishment of mergers or other takeover or change-in-control attempts that are not approved by a company's board of directors.

Limitations of Liability and Indemnification of Directors and Officers

The DGCL authorizes corporations to limit or eliminate the personal liability of directors and officers to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties. The Company's Certificate of Incorporation includes a provision that eliminates the personal liability of directors (but not officers) for monetary damages for actions taken as a director to the fullest extent authorized by the DGCL. The DGCL does not permit exculpation for liability:

- for breach of the duty of loyalty;
- for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;
- under Section 174 of the DGCL (relating to unlawful dividends or stock repurchases); or
- for transactions from which the director derived an improper personal benefit.

The Company's Certificate of Incorporation and Bylaws provide that the Company will indemnify its directors and officers to the fullest extent permitted by law. The Company's Bylaws also expressly authorize the Company to carry directors' and officers' insurance providing indemnification for the Company's directors, officers and certain employees and agents for certain liabilities.

The limitation of liability and indemnification provisions in the Company's Certificate of Incorporation and Bylaws may discourage shareholders from bringing a lawsuit against the Company's directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against the Company's directors and officers, even though such an action, if successful, might otherwise benefit the Company and its shareholders. In addition, an investment in the Company's Common Stock may be adversely affected to the extent the Company pays the costs of settlement and damage awards against directors and officers in accordance with these indemnification provisions.

Proxy Access

The Company's Bylaws permit an eligible shareholder or group of shareholders to include up to a specified number of director nominees in the Company's proxy materials for an annual meeting of shareholders. To qualify, the shareholders (or group of up to 20 shareholders) must have continuously owned for at least three years 3% or more of the Company's outstanding common stock. The maximum number of shareholder nominees permitted under this proxy access provision is the greater of (i) two or (ii) 20% of the total number of directors on the Company's board of directors as of the last day on which a proxy access notice may be submitted, rounded down to the nearest whole number.

Transfer Agent and Registrar

Equiniti Trust Company, LLC serves as the registrar and transfer agent for the Company's Common Stock.

New York Stock Exchange Symbol

The Company's Common Stock is listed on the New York Stock Exchange under the trading symbol "AWK."

Exhibit 10.17.2

AMENDMENT 2023-1
TO THE
PENSION PLAN FOR EMPLOYEES OF
AMERICAN WATER WORKS COMPANY, INC.
AND ITS DESIGNATED SUBSIDIARIES

Effective as of 11:59:59 pm Eastern Time on December 31, 2023, the Pension Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries ("Plan") is hereby amended as follows to effectuate the merger of the Shorelands Water Company Co., Inc. Pension Plan (the "Shorelands Pension Plan") into the Plan:

1. Article I of the Plan ("Purpose") is amended to revise the sixth paragraph, which begins "The Plan is now amended and restated to…," in its entirety to read as follows:

"The Plan was previously amended and restated to (1) incorporate prior amendments; (2) to reflect the 12/31/2022 Spinoff; and (3) to make certain clarifying changes."

2. Article I of the Plan ("Purpose") is amended to add a new paragraph immediately before the final paragraph to read as follows:

"Effective as of 11:59:59 pm Eastern Time on December 31, 2023 ("Effective Date"), the Plan was amended to merge the Shorelands Water Company Co., Inc. Pension Plan (the 'Shorelands Pension Plan') into the Plan. In connection with the merger, the Shorelands Pension Plan, as amended and restated effective January 1, 2018, is hereby appended to the Plan. Only those provisions of the Shorelands Pension Plan that relate to eligibility for, and calculation of, benefits under, the Shorelands Pension Plan shall apply on and after the Effective Date including Section 5.13 limiting amounts payable at early retirement. Any other provisions, including but not limited to, those provisions described in Sections 5.7(e)(1) (but only with respect to a Participant's required beginning date age), 5.8(c) (but only with respect what would have been a deceased Participant's required beginning date age), 5.10, 5.11 and 5.15, as well as Article II, Article IV and Articles VI through XIII of the Shorelands Pension Plan shall not apply on and after the Effective Date, and the corresponding provision in the Plan shall apply instead."

3. Section 2.1(b) of the Plan ("Actuarial Equivalent") is amended in its entirety to read as follows:

"(b) 'Actuarial Equivalent' means a benefit of equivalent value (A) computed on the basis set out in Tables 2 through 4(a), appended hereto, (B) derived based on interest rates and mortality tables set forth in Table 5 or (C) in any instance in which neither (A) nor (B) applies, based on an assumed interest rate of 8% and using the 1983 Group Annuity Mortality Table (set-back 1 year for Participants and set back 5 years for Contingent Annuitants). For purposes of determining Actuarial Equivalent optional forms of payment for Shorelands Pension Plan participants other than for determining forms subject to requirements of section 417(e)(3) of the Code, the actuarial equivalence basis will be based on an assumed interest rate of 8% and the UP 1984 mortality table. For the purpose of determining lump sum present values, the calculation shall be made using the 'applicable mortality table' under section 417(e)(3)(B) of the Code and shall be based on the 'applicable interest rate' under section 417(e)(3)(C) of the Code for the third calendar

month preceding the year during which the Annuity Starting Date occurs (or as otherwise specified in the Plan for calendar years before January 1, 2023); provided, however, that, to the extent that any qualified plan that is merged into or consolidated with the Plan uses a different time for determining the applicable interest rate described in section 417(e)(3) of the Code, to the extent necessary to satisfy the requirements of section 411(d)(6) of the Code and the applicable regulations thereunder, such different time shall be used for the one-year period after the date of merger or consolidation if its use would produce a larger lump sum value."

[REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Amendment has been executed on the date set forth below.

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ Martin Falkenberg
Martin Falkenberg
SVP, Deputy CHRO
As Member of the Benefits Administration Committee

Date: 12/20/2023

Exhibit 10.17.3

AMENDMENT 2023-2
TO THE
PENSION PLAN FOR EMPLOYEES OF
AMERICAN WATER WORKS COMPANY, INC.
AND ITS DESIGNATED SUBSIDIARIES

WHEREAS, American Water Works Company, Inc. (the "Company") sponsors the Pension Plan For Employees of American Water Works Company, Inc. And Its Designated Subsidiaries (the "Plan") and its corresponding trust for the benefit of its eligible employees; and

WHEREAS, Section 16.1 of the Plan authorizes the Benefits Administration Committee of American Water Works Company, Inc. and Its Designated Beneficiaries (the "Committee") to amend the Plan for amendments that do not have a material cost; and

WHEREAS, the Committee desires to amend the Plan, to change the age for the required beginning date from age 72 to age 73, effective as of January 1, 2023; and

WHEREAS, this "Amendment" shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment.

NOW THEREFORE, BE IT RESOLVED, that by virtue of the authority reserved to the Committee under Section 16.1 of the Plan, the Plan is hereby amended as follows:

1. Effective as of January 1, 2023, Section 6.6(a)(ii)(A) of the Plan (Death of Participant Before Distributions Begin) is amended to read as follows:

> "(A) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, then distributions to the surviving spouse shall begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have reached his Required Beginning Date, as such term is defined under Section 6.6(e)(iv), if later."

2. Effective as of January 1, 2023, Section 6.6(e)(iv) of the Plan (Required Beginning Date) is amended to read as follows:

"(iv) Required Beginning Date. April 1 of the calendar year following the year in which a Participant reaches:

(A) age 70½ for distributions required to be made prior to January 1, 2020,

(B) age 72 for distributions required to be made after December 31, 2019 and prior to January 1, 2023 with respect to a Participant who attains age 70½ after December 31, 2019),

(C) age 73 for distributions required to be made after December 31, 2022 with respect to a Participant who attains age 72 after December 31, 2022.

The monthly pension of a Participant whose Required Beginning Date is April 1 of the calendar year in which they incur a separation from service shall include an Actuarial Equivalent adjustment to reflect the commencement of payments after the Participant has attained age 70½. The Actuarial Equivalent adjustment described in the preceding sentence for any year shall reduce (but not below zero) any increase in the Participant's Accrued Benefit for the year attributable to additional Years of Service for benefit accrual and Final Average Earnings."

(Signature Page Follows)

IN WITNESS WHEREOF, this Amendment has been executed this 29 day of December, 2023.

BENEFITS ADMINISTRATION COMMITTEE OF
AMERICAN WATER WORKS COMPANY,
INC. AND ITS DESIGNATED SUBSIDIARIES

By: /s/ Martin Falkenberg

Title: SVP HR

American Water Works Company, Inc.'s Subsidiaries

As of February 14, 2024

Entity Name	Entity Type	Jurisdiction of Organization
American Industrial Water LLC	Limited Liability Company	Ohio
American Lake Water Company	Corporation	Illinois
American Water (USA), LLC	Limited Liability Company	Delaware
American Water Canada Corp.	Corporation	Ontario
American Water Capital Corp.	Corporation	Delaware
American Water Enterprises Holding, LLC	Limited Liability Company	Delaware
American Water Enterprises, LLC	Limited Liability Company	Delaware
American Water Defense Services, LLC	Limited Liability Company	Delaware
American Water Federal Services, LLC	Limited Liability Company	Delaware
American Water Military Services, LLC	Limited Liability Company	Delaware
American Water Operations and Maintenance, LLC	Limited Liability Company	Texas
American Water Real Property Holdings LLC	Limited Liability Company	Delaware
American Water Services CDM, Inc.	Corporation	Washington
American Water Works Service Company, Inc.	Corporation	Delaware
AUI Acquisition Company, LLC	Limited Liability Company	Pennsylvania
AWC Acquisition Company, LLC	Limited Liability Company	Pennsylvania
AW Insurance LLC	Series Limited Liability Company	Delaware
AWIP Holdings LLC	Limited Liability Company	Delaware
AW Technologies, LLC	Limited Liability Company	Delaware
Bluefield Valley Water Works Company	Corporation	Virginia
California-American Water Company	Corporation	California
Edison Water Company	Corporation	New Jersey
Environmental Management, LLC	Limited Liability Company	Missouri
E'town Properties, Inc.	Corporation	Delaware
E'town Services L.L.C.	Limited Liability Company	New Jersey
Georgia-American Water Company LLC	Limited Liability Company	Delaware
Hawaii-American Water Company	Corporation	Nevada
Illinois-American Water Company	Corporation	Illinois
Indiana-American Water Company, Inc.	Corporation	Indiana
Iowa-American Water Company	Corporation	Delaware
Kentucky-American Water Company	Corporation	Kentucky
Laurel Oak Properties Corporation	Corporation	Delaware
Liberty Water Company	Corporation	New Jersey
Maryland-American Water Company	Corporation	Maryland
Missouri-American Water Company	Corporation	Missouri
New Jersey-American Water Company, Inc.	Corporation	New Jersey
One Water Street LLC	Limited Liability Company	New Jersey
Pennsylvania-American Water Company	Corporation	Pennsylvania
Tennessee-American Water Company	Corporation	Tennessee
TWH LLC	Limited Liability Company	Delaware
TWNA, Inc.	Corporation	Delaware
Virginia-American Water Company	Corporation	Virginia
West Virginia-American Water Company	Corporation	West Virginia

AMERICAN WATER WORKS COMPANY, INC.

List of Securities Registered Under the Securities Act of 1933 (the "Securities Act") and Entitled to the Benefit of the Support Agreement between American Water Capital Corp. ("AWCC") and American Water Works Company, Inc. ("parent company")

The following securities have been issued by AWCC and registered under the Securities Act, and have the benefit of that certain Support Agreement, as amended, by and between AWCC and parent company, which serves as the functional equivalent of a full and unconditional guarantee by parent company of the payment obligations of AWCC thereunder:

3.850% Senior Notes due 2024
3.400% Senior Notes due 2025
3.000% Senior Notes due 2026
2.950% Senior Notes due 2027
3.750% Senior Notes due 2028
3.450% Senior Notes due 2029
2.800% Senior Notes due 2030
2.300% Senior Notes due 2031
4.450% Senior Notes due 2032
6.593% Senior Notes due 2037
4.300% Senior Notes due 2042
4.300% Senior Notes due 2045
4.000% Senior Notes due 2046
3.750% Senior Notes due 2047
4.200% Senior Notes due 2048
4.150% Senior Notes due 2049
3.450% Senior Notes due 2050
3.250% Senior Notes due 2051

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-263068 and 333-253484) and Form S-8 (Nos. 333-235598, 333-219682, 333-217975, 333-168543 and 333-150381) of American Water Works Company, Inc. of our report dated February 14, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 14, 2024

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, M. Susan Hardwick, certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2024

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, John C. Griffith, certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2024

By: /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, M. Susan Hardwick, President and Chief Executive Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

February 14, 2024

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, John C. Griffith, Executive Vice President and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
February 14, 2024

Exhibit 97.1

Incentive-Based Compensation Recovery Policy

Applicability: American Water Works Company, Inc. ("Parent Company"), and its controlled subsidiaries (together, "American Water" or the "Company")

Effective Date: 12/01/2023

ELT Sponsor: Executive Vice President, Chief Human Resources Officer

Document Authors: Vice President, Chief SEC Counsel and Secretary, and Vice President, Total Rewards

I. PURPOSE

This Incentive-Based Compensation Recovery Policy (this "Policy") has been adopted to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 10D-1 promulgated thereunder ("Rule 10D-1"), and Paragraph 303A.14 of the Listing Standards Manual of the New York Stock Exchange ("Paragraph 303A.14"), which require the recovery of certain Incentive-Based Compensation in the case of an accounting Restatement resulting from a material error in American Water's consolidated financial statements. This Policy amends and supersedes in its entirety the Company's "Clawback Policy" governing the recovery of incentive compensation, as adopted by the Board of Directors of the Company (the "Board") on June 18, 2010 and shall be effective while the Company's common stock is listed on a national securities exchange.

Terms used in this Policy and not otherwise defined shall have the meanings given to them in Part IX below.

II. POLICY STATEMENT; COVERED EXECUTIVES

Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires all public companies listed on national securities exchanges to adopt and maintain a policy to recover incentive-based compensation erroneously paid as a result of material noncompliance with accounting rules, as more specifically provided by rules promulgated by the SEC, including Rule 10D-1.

Rule 10D-1(b)(1)(i) requires the Policy to cover persons who serve or served as an executive officer of the Company at any time during the performance period for Incentive-Based Compensation. For avoidance of doubt, and to provide clarity and consistency between the terminology used in Rule 10D-1(d) and the Company's usage of similar terminology, an "executive officer" as defined under this Policy shall be equivalent to an "officer" as defined under Section 16a-1(f) of the Exchange Act (a person also referred to as a "Section 16 officer"), which designation is currently utilized by the Board. All such persons described in this Part II shall collectively be referred to as "Covered Executives."

Subsequent changes in a Covered Executive's employment status, including retirement or termination of employment, do not affect the Company's rights to recover Incentive-Based Compensation pursuant to this Policy. Notwithstanding the foregoing, Incentive-Based Compensation shall not be recovered under this Policy to the extent received by any person (i) before the date the person was determined by the Board to be a Section 16 officer of the Company; or (ii) who was not, at any time during the performance period for the Incentive-Based Compensation, a Section 16 officer of the Company.

III. RECOVERY OF INCENTIVE-BASED COMPENSATION

Recovery Based Upon a Restatement

In the event the Company is required to prepare a Restatement, the Company shall, as promptly as reasonably possible, recover any Incentive-Based Compensation erroneously received by a Covered Executive during the Recovery Period. The amount of erroneously received Incentive-Based Compensation will be the excess of the Incentive-Based Compensation received by the Covered Executive (whether in cash or shares) based on the erroneous data in the original financial statements over the Incentive-Based Compensation (whether in cash or in shares) that would have been received by the Covered Executive had it been based on the restated results, without respect to any tax liabilities incurred or paid by the Covered Executive.

For incentive-based compensation based on total shareholder return or Company stock price, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in a Restatement, the amount shall be based on the Company's reasonable estimate of the effect of the Restatement on the applicable measure and the Company shall maintain documentation of the determination of that reasonable estimate and provide it to the Exchange.

Recovery Based Upon Misconduct
In the event that a Covered Executive commits an act of fraud, embezzlement, theft or other ethical misconduct (as determined by the Board in its sole discretion), and a Restatement by the Company is not required, the Company may seek to recover from such Covered Executive (i) any Incentive-Based Compensation received by such Covered Executive, and/or (ii) any other Company compensation received by such Covered Executive, which compensation is based upon a performance goal other than a financial reporting measure and received by the Covered Executive during either (x) the Recovery Period, or (y) another period of time following the date that the act or acts of misconduct occurred, all as determined by the Board.

Methods of Recovery
The Board shall determine, in its sole discretion, the method of recovering any Incentive-Based Compensation pursuant to this Policy. No recovery shall be required if (i) the Board determines that the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered, which determination must be made only after a reasonable and documented attempt by the Company to recover the Incentive-Based Compensation (with documentation of such reasonable attempt to recover to be provided to the Exchange); or (ii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to Company employees, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder.

Other Actions
In addition to recovery of compensation as provided for in this Part III, the Board may take any and all other actions as it deems necessary, appropriate and in the Company's best interest, including without limitation termination of a Covered Executive's employment and initiating legal action against the Covered Executive.

IV. INDEMNIFICATION NOT PERMITTED

The Company shall not indemnify any current or former Covered Executive against the loss of erroneously awarded compensation, and shall not pay, or reimburse any Covered Executives for, premiums incurred or paid for any insurance policy to fund such Covered Executive's potential recovery obligations.

V. REPORTING, DISCLOSURE AND MONITORING

The Company shall make all required disclosures and filings with the SEC with respect to this Policy in accordance with the requirements of the Federal securities laws.

VI. INTERPRETATION OF THIS POLICY

Any issue requiring an interpretation of this Policy must be discussed with Parent Company's General Counsel, who will make a determination after consultation with the Chief Executive Officer, the Chief Financial Officer, the Chief Human Resources Officer, and the Chief SEC Counsel.

It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and Rule 10D-1 (or any successor statute or rule) and any other applicable rules or listing standards adopted by the SEC or the Exchange.

VII. AMENDMENT AND WAIVER

This Policy may only be amended with the approval of the Board upon the recommendation of the Executive Development and Compensation Committee of the Board. The Board may amend this Policy from time to time as it deems necessary to reflect changes in applicable regulations adopted by the SEC and/or listing standards adopted by the Exchange.

Compliance with this Policy cannot be waived.

VIII. NON-COMPLIANCE

Any Covered Executive who violates or circumvents this Policy may be subject to disciplinary action, up to and including termination of employment, in addition to other potential consequences resulting from their conduct that was a direct cause of, or resulted in, a recovery of compensation hereunder.

IX. DEFINITIONS

Terms or words used in this Policy and not otherwise defined shall have the meanings set forth below.

Exchange – the New York Stock Exchange or such other national securities exchange upon which the Company's securities may be listed or traded.

Financial reporting measure – A financial reporting measure is a measure that is (i) determined and presented in accordance with the accounting principles used in preparing American Water's financial statements, or (ii) derived wholly or in part from such measures. For purposes of this Policy, the term "financial reporting measure" includes American Water's stock price and total shareholder return, whether expressed as an absolute or relative metric. A financial reporting measure need not be presented in the Company's financial statements or included in an SEC filing. An accounting restatement shall not be a Restatement under this Policy if it involves the financial statements of an issuer (other than the Company) included as a member of a peer group used to determine Incentive-Based Compensation based on a relative total shareholder return metric.

Incentive-Based Compensation – For purposes of this Policy, the term "Incentive-Based Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a financial reporting measure.

For the avoidance of doubt, Incentive-Based Compensation does not include (i) annual base salary, (ii) "sign-on" bonuses or other compensation granted solely due to the commencement of employment with the Company, (iii) compensation based on completion of a specified period of employment or service, or (iv) compensation awarded based on subjective, non-financial, strategic or operational measures that are not financial reporting measures.

Received – For purposes of this Policy, Incentive-Based Compensation is deemed to be "received" in the fiscal period during which the financial reporting measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant may not occur until after the end of that fiscal period. Incentive-Based Compensation in the form of an equity award that vests solely upon the basis of a financial reporting measure performance condition will be deemed to be "received" in the fiscal period in which it vests.

For the avoidance of doubt, (i) with respect to the Company's Annual Performance Plan (APP) awards, Incentive-Based Compensation would be deemed to be received in the plan year for that APP award; and (ii) with respect to performance-based Long-Term Performance Plan (LTPP) awards issued on a three-year performance period, Incentive-Based Compensation would be deemed to be received with respect to the last fiscal year of the LTPP award's performance period.

Recovery Period – shall mean the three completed fiscal years of the Company that occur on or after October 2, 2023, the effective date of the adoption of Paragraph 303A.14, and immediately preceding the date on which the Company is required to prepare a Restatement, which date is the earlier of (i) the date the Board, or a committee of the Board, such as the Audit, Finance and Risk Committee of the Board (or authorized officer(s) of the Company if Board or such committee action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement; or (ii) a date that a court, regulator or other legally-authorized body directs the Company to prepare a Restatement. In addition to these last three completed fiscal years, the Recovery Period shall apply to any transition period of less than nine months that results from a change in the Company's fiscal year within or immediately following those three completed fiscal years,

Restatement – an accounting restatement of the Company's financial statements due to material noncompliance with any financial reporting requirement under the federal securities laws, including any required accounting restatement to correct an error in previously issued financial statements (i) that is material to the previously issued financial statements, or (ii) that would result in a material misstatement if the error were corrected in the current period only or left uncorrected in the current period.

SEC – the U.S. Securities and Exchange Commission, or any successor agency.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)
(856) 955-4001
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, $0.01 par value—$25,487,300,000 as of June 30, 2022 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2022, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2022, to be controlled by, or under common control with, American Water or any such persons in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, $0.01 par value per share—181,858,619 shares as of January 31, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2023 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2022 are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

Statements included in Item 1—Business, Item 1A—Risk Factors, and Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this Annual Report on Form 10-K, or incorporated by reference therein, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company's future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company's growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company's California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company's ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company's ability to execute its current and long-term business, operational and capital expenditures strategies; the Company's ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company's stated environmental and sustainability goals, including its greenhouse gas ("GHG") emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the ongoing COVID-19 pandemic; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company's actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the factors discussed under Item 1A—Risk Factors, and the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, or other factors;
- changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;

- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
    - acquiring, closing and successfully integrating regulated operations;
    - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts, with the U.S. government; and
    - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS"), including:
    - the Company's ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company under the seller note when due; and
    - the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company's ability to address or mitigate the impacts thereof;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding

requirements;

- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and/or diverse talent;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements contained in this Annual Report on Form 10-K, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Annual Report on Form 10-K was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I

ITEM 1. BUSINESS

The Company

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, the Company employs approximately 6,500 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company conducts the majority of its business through regulated utilities that provide water and wastewater services, collectively presented as the "Regulated Businesses." The Company also operates other market-based businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. Individually, these market-based businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses.

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests of the HOS subsidiaries. See Item 1—Business—Other—Sale of Homeowner Services Group below and Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

On January 1, 2022, the Company completed the sale of its New York subsidiary, see Item 1—Business—Regulated Businesses—Sale of New York American Water Company, Inc. below and Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Throughout this Annual Report on Form 10-K, unless the context otherwise requires, references to "we," "us," "our," the "Company," and "American Water" mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries.

Regulated Businesses

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. The Company's utilities operate in approximately 1,600 communities in 14 states in the United States, with 3.4 million active customers in its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). Federal, state and local governments also regulate environmental, health and safety, and water quality and water accountability matters. The Company reports the results of the services provided by its utilities in the Regulated Businesses segment. Operating revenues for the Regulated Businesses were $3,505 million for 2022, $3,384 million for 2021 and $3,255 million for 2020, accounting for 92%, 86% and 86%, respectively, of the Company's total operating revenues for the same periods.

Presented in the table below is a geographic summary of the Regulated Businesses' operating revenues and the number of customers the Company serves, by type of service, for and as of the year ended December 31, 2022:

	Operating Revenues (in millions)				Number of Customers (in thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
New Jersey	$ 858	$ 51	$ 909	25.9 %	663	59	722	20.9 %
Pennsylvania	714	105	819	23.4 %	679	97	776	22.5 %
Missouri	367	16	383	10.9 %	480	22	502	14.6 %
Illinois	310	39	349	10.0 %	297	71	368	10.7 %
California	281	4	285	8.1 %	189	3	192	5.6 %
Total—Top Five States (b)	2,530	215	2,745	78.3 %	2,308	252	2,560	74.2 %
Other (c)	733	27	760	21.7 %	853	36	889	25.8 %
Total Regulated Businesses	$ 3,263	$ 242	$ 3,505	100.0 %	3,161	288	3,449	100.0 %

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(b) The Company's "Top Five States" are determined based upon operating revenues.

(c) Includes the Company's utility operations in the following states: Georgia, Hawaii, Indiana, Iowa, Kentucky, Maryland, Tennessee, Virginia and West Virginia and other revenue attributable collectively to the Regulated Businesses. The Company completed the sale of its New York subsidiary on January 1, 2022 and the sale of its Michigan subsidiary on February 4, 2022.

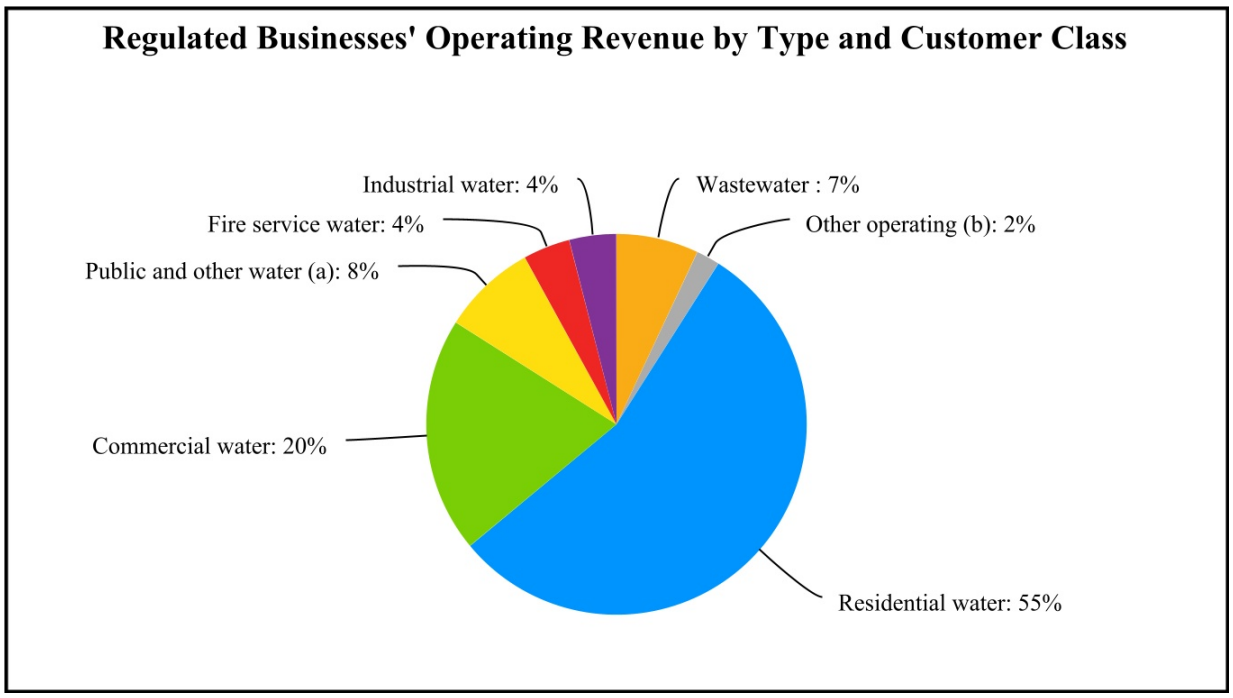
Customers

The Company's Regulated Businesses have a large and geographically diverse customer base. A customer is defined as a person, business, municipality or any other entity that purchases the Company's water or wastewater services as of the last business day of a reporting period. One single customer may purchase the Company's services for use by multiple individuals or businesses. Examples of these customers are homes, apartment complexes, businesses and governmental entities.

The vast majority of the Company's regulated water customers are metered, which allows the Company to measure and bill for its customers' water usage, typically on a monthly basis. The Company employs a variety of methods of customer meter reading to monitor consumption. These methods range from meters with mechanical registers where consumption is manually recorded by meter readers, to meters with electronic registers capable of transmitting consumption data to proximity devices or via radio frequency to mobile or fixed network data collectors. The Company's wastewater customers are billed either a flat rate or based upon their water consumption.

Residential customers make up a substantial portion of the Company's customer base in all of the states in which it operates. The Company also serves (i) commercial customers, such as food and beverage providers, commercial property developers and proprietors, and energy suppliers, (ii) fire service customers, where the Company supplies water through its distribution systems to public fire hydrants for firefighting purposes and to private fire customers for use in fire suppression systems in office buildings and other facilities, (iii) industrial customers, such as large-scale manufacturers, mining and production operations, (iv) public authorities, such as government buildings and other public sector facilities, including schools and universities, and (v) other utilities and community water and wastewater systems in the form of bulk contracts for the supply of water or the treatment of wastewater for their own customers.

The following chart depicts the allocation of the Company's Regulated Businesses' operating revenue of $3,505 million by type, including a breakout of the total water services revenues by class of customer, for the year ended December 31, 2022:



(a) Includes water revenues from public authorities and other utilities and community water systems under bulk contracts.

(b) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

Presented in the table below is the number of water and wastewater customers the Company served by class as of December 31, 2022, 2021 and 2020, which represents approximately 14 million people served as of December 31, 2022:

	2022		2021		2020	
(In thousands)	Water	Wastewater	Water	Wastewater	Water	Wastewater
Residential	2,870	270	2,972	245	2,948	236
Commercial	219	17	225	15	225	15
Fire service	51	—	52	—	50	—
Industrial	4	—	4	—	4	—
Public and other (a)	17	1	16	1	17	1
Total (b)	3,161	288	3,269	261	3,244	252

(a) Includes public authorities and other utilities and community water and wastewater systems under bulk contracts. Bulk contracts, which are accounted for as a single customer in the table above, generally result in service to multiple customers.

(b) The Company completed the sale of its New York subsidiary on January 1, 2022 and the sale of its Michigan subsidiary on February 4, 2022.

Customer growth in the Company's Regulated Businesses is primarily from (i) adding new customers to its customer base through acquisitions of water and/or wastewater utility systems, (ii) population growth in its authorized service areas, and (iii) sale of water to other water utilities and community water systems.

Capital Investment

The Company plans to invest between $30 billion and $34 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses' water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. The Company has proactively improved its pipe renewal rate from a 250-year replacement cycle in 2009 to an expected 110-year replacement cycle by 2027, which it anticipates will enable the Company to replace nearly 2,100 miles of mains and collection pipes between 2023 and 2027. In addition, from 2023 to 2027, the Company's capital investment in treatment plants, storage tanks and other key, above-ground facilities is expected to increase, further seeking to address infrastructure renewal, resiliency, water quality, operational efficiency, technology and innovation, and emerging regulatory compliance needs. Additionally, the Company continues to invest significantly in resiliency projects to address the impacts of climate and weather variability by hardening its assets.

Regulation and Rate Making

The operations of the Company's Regulated Businesses are generally subject to regulation by PUCs in the states in which they operate, with the primary responsibility of the PUCs being the promotion of the overall public interest by balancing the interest of customers and utility investors. Specific authority might differ from state to state, but in most states, PUCs review and approve rates charged to customers, accounting treatments, long-term financing programs and cost of capital, operation and maintenance ("O&M") expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers and acquisitions, and dispositions, along with imposing certain penalties or granting certain incentives. Regulatory policies vary from state to state and can change over time. These policies will affect the timing, as well as the extent, of recovery of expenses and the realized return on invested capital.

Periodic changes in customer rates generally occur through the filing of a rate case by the utility with the PUC. The timing of rate case filings is typically determined by either periodic requirements in the regulatory jurisdiction or by the utility's need to increase its revenue requirement to recover capital investment costs, changes in operating revenues, operating costs or other market conditions. The Company attempts to minimize "regulatory lag," which is the time between the occurrence of an event that triggers a change in the utility's revenue requirement and the recognition in rates of that change.

The Company's Regulated Businesses support regulatory practices at the PUCs and state legislatures that mitigate the adverse impact of regulatory lag. Presented in the table below are examples of approved regulatory practices:

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharge mechanisms	Allows rates to change periodically, outside a general rate case proceeding, to reflect recovery of capital investments made to replace infrastructure necessary to sustain safe and reliable services for the Company's customers. These mechanisms typically involve periodic filings and reviews to ensure transparency.	IA, IL, IN, KY, MO, NJ, PA, TN, VA, WV
Future test year	A "test year" is a period used for setting rates, and a future test year describes the first 12 months that new rates are proposed to be effective. The use of a future test year allows current or projected revenues, expenses and capital investments to be collected on a more timely basis.	CA, HI, IA, IL, IN, KY, PA, TN, VA
Hybrid test year	A historical test year sets rates using data from a 12-month period that ends prior to a general rate case filing. A hybrid test year allows an update to historical data for "known and measurable" changes that occur subsequent to the historical test year.	MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction ("AFUDC"). In addition, some states allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudency of such projects.	CA, IL, KY, PA, TN, VA
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility's control, to be recovered outside of a general rate case proceeding or deferred until the next general rate case proceeding.	CA, HI, IL, IN, MD, MO, NJ, PA, TN, VA
Revenue stability mechanisms	Adjusts rates periodically to ensure that a utility recovers the revenues authorized in its general rate case, regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently.	CA, IL
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state, and is generally used to moderate the price impact of periodic fluctuations in local costs, while lowering administrative costs for customers. Pennsylvania and West Virginia also permit a blending of water and wastewater revenue requirements.	CA, IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV
Deferred accounting	A regulator's willingness to defer recognition of financial impacts when setting rates for utilities.	All

The Company pursues enhancements to these regulatory practices to facilitate efficient recovery of its costs and capital investments and to continue to provide safe, clean, reliable and affordable services to its customers. The ability to seek regulatory treatment using the regulatory practices described above does not guarantee that the PUCs will accept the Company's proposal in the context of a particular rate case, and these regulatory practices may reduce, but not eliminate, regulatory lag associated with traditional rate making processes. It is also the Company's strategy to expand the use of these mechanisms in areas where they may not currently apply and enhance certain mechanisms where they already exist.

Acquisitions and Strategic Growth

The U.S. water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. According to the U.S. Environmental Protection Agency ("EPA"), as of 2017, approximately 84% of the water market is served by municipal systems and approximately 98% of the country's wastewater systems are government owned. The EPA also estimates, as of 2017, that there are over 50,000 community water systems and over 15,000 community wastewater systems in the United States, with approximately 80% of the community water systems serving a population of 3,000 or less.

A fundamental aspect of the Company's growth strategy is to pursue acquisitions of water and/or wastewater systems in geographic proximity to areas where the Company operates its Regulated Businesses, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information. The proximity of acquisition opportunities to the Company's regulated footprint allows it to integrate and manage the acquired systems and operations primarily using the Company's existing management (although the Company typically retains the majority, if not all, of the employees of the acquired systems) and to achieve operational efficiencies and prioritize capital investment needs. The Company's current customer mix of 92% water and 8% wastewater also presents strategic opportunities for wastewater growth and consolidation, allowing the Company to add wastewater customers where it already serves water customers. The Company intends to continue to expand its regulated footprint geographically by acquiring water and wastewater systems in its existing markets and, if appropriate, pursuing acquisition opportunities in certain domestic markets where the Company does not currently operate its Regulated Businesses. Before entering new regulated markets, the Company will evaluate the business and regulatory climates to ensure that it will have the opportunity to achieve an appropriate rate of return on its investment while maintaining its high standards for providing safe, reliable and affordable services to its customers. The Company will also evaluate whether there is a line of sight to grow to sufficient scale in a new regulated market so that it can attain efficiencies after entering a new domestic market.

Increasingly stringent environmental, health and safety, cybersecurity and water quality and water accountability regulations, the amount of infrastructure in need of significant capital investment, financial challenges and industry legislation are several elements, among others, that may drive more municipalities to consider selling their water and wastewater assets.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the sale of its New York subsidiary to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Under the terms of the Stock Purchase Agreement, dated November 20, 2019, as amended, by and among the Company, the Company's New York subsidiary and Liberty (the "Stock Purchase Agreement"), Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company's regulated New York operations had approximately 127,000 customers in the State of New York. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Industry Legislation

On November 15, 2021, the Infrastructure Investment and Jobs Act (the "IIJA") was signed into law and provides for up to $55 billion to aid in improving the country's ailing water infrastructure, including $23.4 billion for drinking water and wastewater, $15 billion for lead service line replacement (through the drinking water state revolving fund), and $10 billion for the treatment of per- and polyfluoroalkyl substances ("PFAS") and other contaminants of emerging concern. The IIJA also included a low-income assistance program, in which eligible low-income customers who receive their water from public and private entities may participate. The Company has leveraged these funds throughout its service areas to benefit its customers.

In December 2020, Congress passed, and the President signed into law, a $900 billion COVID-19 relief and $1.4 trillion U.S. government appropriations package for 2021, which included $638 million for a low-income water assistance program and $2.8 billion for capitalization grants under the Clean Water and Drinking Water state revolving funds.

In 2017, New Jersey enacted the Water Quality Accountability Act (the "WQAA"), which sets operational standards for all water utilities in New Jersey, including municipal and investor-owned utilities with more than 500 service connections. This law imposes requirements in areas such as asset management, water quality reporting, remediation of notices of violation, and hydrant and valve maintenance. The WQAA requires the most senior water manager, or either the executive director for municipal utility authorities or the mayor or chief executive officer for municipally owned public water systems, to certify that the system meets the requirements under the WQAA. Enhanced WQAA legislation includes additional enforcement requirements for disclosure of results, requires the sale of systems for prolonged violations and imposes new cybersecurity requirements and asset management plans. The new amendments, which provide for both civil and criminal penalties for falsification of documents, were signed by the Governor with an effective date of November 8, 2021.

In 2018, Indiana passed a law to set minimum operational expectations for all water and wastewater utilities in the state, including municipal and investor-owned utilities. The law requires water and wastewater utilities to conduct rate analyses, develop capital asset management plans and conduct cybersecurity and water loss audits.

In 2020, Missouri enacted the Water Safety and Security Act, which requires small and medium-sized water providers to create cybersecurity, valve inspection and hydrant inspection programs.

The Company's regulated subsidiaries in California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia have access to utility valuation legislation and regulation for private sector investment in public sector water and wastewater systems. The Company supports full optionality for municipalities, including state legislation that enables the consolidation of the largely fragmented water and wastewater industries through third-party fair market valuations of purchased property. Fair market value assessment of water and wastewater systems is an alternative to the traditional depreciated original cost method of valuation, which allows the Company to offer municipalities a purchase price for their system assets that is reflective of the assets' fair market value, while providing the Company with increased opportunity to recover the purchase price over the life of the purchased system assets, subject to PUC approval. In 2021, the Tennessee Public Utility Commission implemented acquisition valuation rules that include a methodology to value water and wastewater assets based upon the new replacement cost of the assets less the depreciation, in addition to other valuation methodology options.

Consolidated tariffs use a unified rate structure for systems owned and operated by a single utility, which may or may not be physically interconnected. Consolidated tariff pricing moderates the impact of periodic fluctuations in local costs and promotes a more universal water infrastructure investment in a jurisdiction. As a result, consolidated tariffs can make it easier to incorporate new systems into an existing utility, support economies of scale for even the smallest of systems and prioritize capital needs across the jurisdiction. Overall, the Company believes that consolidated tariffs bring cost-effective, high-quality services to a larger number of customers. Eleven of the Company's regulated jurisdictions currently have some form of consolidated tariff pricing, including California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Virginia and West Virginia.

Competition

The Company's Regulated Businesses generally do not face direct competition in their existing markets because (i) the Company operates in those markets pursuant to franchises, charters, certificates of public convenience and necessity or similar authorizations (collectively, "CPCNs") issued by state PUCs or other authorities, and (ii) the high cost of constructing a new water and wastewater system in an existing market creates a significant barrier to market entry. However, the Company's Regulated Businesses do face competition from governmental agencies, other investor-owned utilities, large industrial customers with the ability to provide their own water supply/treatment process and strategic buyers that are entering new markets and/or making strategic acquisitions. When pursuing acquisitions, the Company's largest investor-owned competitors, based on a comparison of operating revenues and population served, include Essential Utilities, Inc., American States Water Company and California Water Service Group. From time to time, the Company also faces competition from infrastructure funds, multi-utility companies and others, such as Algonquin Power and Utilities Corp., Eversource Energy, SouthWest Water Company and Corix Infrastructure, Inc.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original CPCN was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or the jurisdiction of the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary ("Cal Am") are the subject of a potential condemnation action by the Monterey Peninsula Water Management District (the "MPWMD") stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. For more information on the lawsuit against LAFCO, see Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets — Local Area Formation Commission Litigation. By letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requesting access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider.

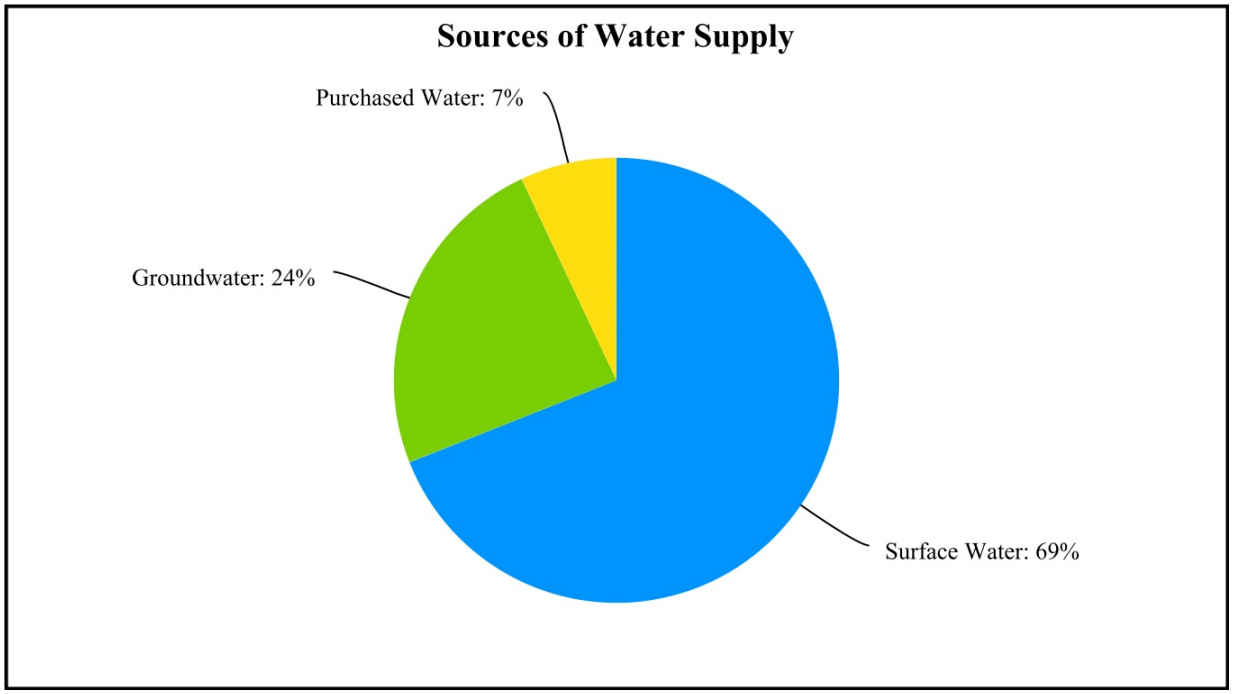
Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. During a valuation trial held in January 2023, the parties settled the lawsuit and the water agency dismissed the eminent domain case, and as a result the Company will retain the pipeline. As part of the dismissal, the Company's Illinois subsidiary and another subsidiary entered into a settlement agreement with the water agency agreeing to, among other things, maintain through December 31, 2027 the utility-specific wholesale water rate passed through to customers of the pipeline, such that the rate, exclusive of other pass-through charges, remains no higher than the current rate.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, for example, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Water Supply and Wastewater Services

The Company's Regulated Businesses generally own the physical assets used to store, pump, treat and deliver water to its customers and collect, treat, transport and recycle wastewater. Typically, the Company does not own the water, which is held in public trust and is allocated to the Company through contracts, permits and allocation rights granted by federal and state or multi-state agencies or through the ownership of water rights pursuant to local law. The Company is dependent on defined sources of water supply and obtains its water supply from surface water sources such as reservoirs, lakes, rivers and streams; from groundwater sources, such as wells and aquifers; and water purchased from third-party water suppliers. The level of water treatment the Company applies varies significantly depending upon the quality of the water source and customer stipulations. Surface water sources typically require significant treatment, while groundwater sources often require chemical treatment only.

Presented in the chart below are the Company's sources of water supply as of December 31, 2022:



Presented in the table below are the percentages of water supply by source type for the Company's Top Five States for the year ended December 31, 2022:

	Surface Water	Ground Water	Purchased Water
New Jersey	74%	22%	4%
Pennsylvania	91%	7%	2%
Missouri	78%	21%	1%
Illinois	54%	35%	11%
California	—	68%	32%

The Company's ability to meet the existing and future water demands of its customers depends on an adequate water supply. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. The Company employs a variety of measures in an effort to obtain adequate sources of water supply, both in the short-term and over the long-term. The geographic diversity of the Company's service areas may mitigate some of the economic effects on the water supply associated with weather extremes the Company might encounter in any particular service territory. For example, in any given summer, some areas may experience drier than average weather, which may reduce the amount of source water available, while other areas the Company serves may experience wetter than average weather.

The Company evaluates quality, quantity, growth needs and alternate sources of water supply as well as transmission and distribution capacity to provide water service to its customers. Water supply is seasonal in nature and weather conditions can have a pronounced effect on supply. In order to ensure that the Company has adequate water supply, it uses long-term planning processes and maintains contingency plans to minimize the potential impact on service caused by climate variability and a wide range of weather fluctuations. The Company reviews current climate science and global models related to temperature, precipitation and sea level rise on an ongoing basis. Where actionable forecasts are available, the Company will use this information in its comprehensive planning studies and asset management plans. These studies and plans, which are used by the Company to develop its asset management and system reliability strategies, assess the climate risk and resiliency of the Company's water and wastewater systems over short-, medium- and long-term time horizons, and include evaluations of the availability of water supplies and system capacity against a number of different factors, projections and estimates.

In connection with supply planning for most surface or groundwater sources, the Company employs models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored so that supply capacity deficits may, to the extent possible, be predicted and mitigated through demand management and additional supply development. In California, where the state has been experiencing a multi-year drought, the Company utilizes multiple water supply options including numerous ground water wells in multiple aquifers as well as various long-term purchase water agreements with regional water suppliers to optimize supplies while assuring resiliency during dry years. An example of the Company's use of long-term planning to ensure that it has adequate water supply is its involvement in the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, to be owned by the Company's California subsidiary, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes the California subsidiary's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water (formerly known as the Monterey Regional Water Pollution Control Agency) and the MPWMD. The Water Supply Project is intended, among other things, to fulfill obligations of the California subsidiary to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB"). For more information, see Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions and Note 16—Commitments and Contingencies—Contingencies—Alternative Water Supply in Lieu of Carmel River Diversions, in the Notes to the Consolidated Financial Statements.

Wastewater services involve the collection of wastewater from customers' premises through sewer lines. The wastewater is then transported through a sewer network to a treatment facility, where it is treated to meet required regulatory standards for wastewater before being returned to the environment. The solid waste by-product of the treatment process is disposed of or recycled in accordance with applicable standards and regulations.

Seasonality

Customer demand for the Company's water service is affected by weather and tends to vary with temperature and amount and frequency of rainfall. Customer demand is generally greater during the warmer months, primarily due to increased water usage for irrigation systems and other outdoor water use. As such, the Company typically expects its operating revenues to be the highest in the third quarter of each year. Weather that is hotter and/or drier than average generally increases operating revenues, whereas, weather that is cooler and/or wetter than average generally suppresses customer water demand and can reduce water operating revenues. Two of the Company's jurisdictions, California and Illinois, have adopted revenue stability mechanisms which permit the Company to collect state PUC-authorized revenue for a given period that is not tied to the volume of water sold during that period, thereby lessening the impact of weather variability. See —Regulation and Rate Making for additional information regarding revenue stability mechanisms.

Other

Other primarily includes the MSG business, which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations. The Company also has four contracts with municipal customers to operate and manage water and wastewater facilities and provide other related services through its Contract Services Group ("CSG"). Other also includes CSG, corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. Previously, the Company provided home services primarily to residential and smaller commercial customers through its former HOS business, which was sold on the Closing Date. As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and are shown as Other. The businesses included within Other are not subject to regulation by state PUCs and the services provided generally do not require significant capital investment. Operating revenues for Other were $287 million for 2022, $546 million for 2021 and $522 million for 2020, accounting for 8%, 14% and 14%, respectively, of the Company's total operating revenues for the same periods.

Military Services Group

MSG operates on 18 military installations under 50-year contracts with the U.S. government as part of its Utilities Privatization Program. The scope of these contracts generally includes the operation and maintenance of the installation's water and wastewater systems and a capital program focused on asset replacement and, in certain instances, systems expansion. The replacement of assets assumed when a contract is awarded to MSG is completed either through a discrete set of projects executed in the first five years of the contract or through the long-term recapitalization program performed over the life of the contract. Traditionally, both of these programs are funded from the contract fee. At times, new assets are required to support the installation's mission, and the construction of these assets is funded by the U.S. government as separate modifications or amendments to the contract. The capital for these assets historically has not been funded through the Company's debt or equity issuances; rather, the Company has used limited working capital for short-term needs under these contracts. In April 2018, the U.S. Army instituted a requirement that a bidder must offer financing in its proposal for these new capital projects under existing contracts, but the U.S. Army's implementation of this requirement on existing contracts has limited the need for such financing. However, recent U.S. Army and Navy Utilities Privatization solicitations have included requirements for the successful bidder to finance discrete initial capital projects over either a five- or ten-year period after project completion. Four of MSG's current contracts require such capital project financing, which the Company is currently addressing through internal sources of liquidity.

The contract price for four of MSG's contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period, to reflect changes in contract obligations and anticipated market conditions. The remaining 14 contracts with the U.S. government are subject to annual price adjustments under a mechanism called "Economic Price Adjustment." All 18 contracts could be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government, or as a result of default or non-performance by the MSG subsidiary performing the contract. In either event, pursuant to termination provisions applicable to all of these contracts, MSG would be entitled to recover allowable costs that it may have incurred under the contract, plus the contract profit margin on incurred costs. MSG's backlog of revenue associated with its contracts with the U.S. government is approximately $6.9 billion, with an average remaining contract term of 40 years.

Sale of Homeowner Services Group

Prior to the Closing Date, the Company provided various warranty protection programs and other home services primarily to residential and smaller commercial customers through its HOS operations. On the Closing Date, the Company sold all of the equity interests in its HOS subsidiaries to an indirect, wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately $1.275 billion. See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Competition

MSG faces competition from a number of service providers, including American States Water Company and Veolia Environnement S.A.

Environmental, Health and Safety, Water Quality and Other Regulation

The Company's water and wastewater operations, including the services provided by its Regulated Businesses, MSG and CSG, are subject to extensive federal, state and local laws and regulations governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water the Company delivers to its customers, and the manner in which it collects, treats, discharges, recycles and disposes of wastewater. In the United States, these regulations are developed under federal legislation including the Safe Drinking Water Act, the Reduction of Lead in Drinking Water Act and the Clean Water Act, and under a variety of applicable state laws. Environmental, health and safety, and water quality regulations are complex and may vary from state to state in those instances where a state has adopted a standard that is more stringent than the federal standard. For example, while the EPA has announced the intention to propose drinking water regulations for two PFAS compounds (perfluorooctanoic acid, or PFOA, and perfluorooctane sulfonic acid, or PFOS) and issued non-enforceable lifetime Health Advisory Levels for PFOA, PFOS and two other PFAS compounds, the New Jersey Department of Environmental Protection has already established enforceable drinking water standards for three PFAS compounds (PFOA, PFOS, and perfluorononanoic acid, or PFNA) and the Pennsylvania Department of Environmental Protection also recently announced enforceable drinking water standards for PFOA and PFOS in advance of the federal EPA proposed regulations. The Company is also subject to various federal, state, and local laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. PUCs also set conditions and standards for the water and wastewater services the Company delivers.

The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources, recognizing that drinking water standards have generally, over time, increased in number and become increasingly more stringent. As newer or stricter standards are introduced, the Company's capital and operating costs needed to comply with them will likely increase. The Company incurs substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which its operations are subject and the Company invests in technology solutions for enhanced detection and monitoring of water quality issues. The Company estimates that it will make capital expenditures of approximately $800 million over the next five years, and $195 million in 2023 for environmental control facilities, which the Company defines for this purpose as any project (or portion thereof) that involves the preservation of air, water or land. The Company believes that its operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

The Company's operations also involve the use, storage and disposal of hazardous substances and wastes. For example, the Company's water and wastewater treatment facilities store and use chlorine and other chemicals that generate wastes that require proper handling and disposal under applicable environmental requirements. The Company also could incur remedial costs in connection with any contamination relating to its operations or facilities or its off-site disposal of waste. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as current and former owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although the Company is not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs to the Company. The Company's facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder.

Safe Drinking Water Act

The Safe Drinking Water Act and related regulations establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous, naturally occurring and manufactured chemical and microbial contaminants and radionuclides allowable in drinking water, and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems that may be used for removing those contaminants, and other requirements. To date, the EPA has set standards for over 90 contaminants and water quality indicators for drinking water, and there is a process in place to make a regulatory determination on at least five additional compounds every five years.

The process of developing new drinking water standards is long and complex, but the Company actively participates with the EPA and other water industry groups by sharing research and water quality operational knowledge. See —Research and Development—Contaminants of Emerging Concern for additional information.

The Company is within the EPA's time frame for compliance with standards and rules developed under the regulation of the Safe Drinking Water Act, which includes sample collection, data analysis, and, in some instances engineering planning and implementation of treatment enhancements. Further, the EPA is actively considering regulations for a number of contaminants, including strontium, hexavalent chromium, fluoride, nitrosamines, some pharmaceuticals and certain volatile organic compounds. The Company does not anticipate that any such regulations, if enacted, will require implementation in 2023.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, the Company expects current cost requirements under the Safe Drinking Water Act and other similar laws to be recoverable through the regulatory process and therefore compliance costs are not expected to have a material impact on its operations or financial condition. In addition, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from these pending or future requirements.

Lead and Copper Rule and Reduction of Lead in Drinking Water Act

In 1991, the EPA published the Lead and Copper Rule ("LCR") to control lead and copper in drinking water and, since that time, has issued minor revisions in 2000, 2004 and 2007, enhancing monitoring, reporting and public education requirements. In 2011, Congress enacted the Reduction of Lead in Drinking Water Act regarding the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. While these advances have made an impact in reducing lead exposure in drinking water, legacy lead plumbing materials, primarily in building plumbing, still remain in many communities. The failure of certain water systems in the United States to comply with the requirements of the LCR has received recent media attention and scrutiny, and in certain cases, has led to a number of investigations and the imposition of significant penalties and sanctions against the operators of those systems and others. As part of its ongoing water main replacement and service line renewal projects, the Company has started to replace lead service lines ("LSLs") in accordance with current scientific guidance. Also, the Company utilizes appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements. On December 21, 2021, the EPA announced next steps to strengthen the regulatory framework on lead in drinking water, including implementing the Lead and Copper Rule Revisions ("LCRR") and indicated their intent to finalize a forthcoming Lead and Copper Rule Improvements ("LCRI") prior to October 16, 2024, the initial compliance date in the LCRR. The Company is executing an implementation strategy to comply with the initial LCRR requirement to complete a lead service line inventory. Capital expenditures and operating costs associated with the LCRI will be determined once the EPA finalizes the rule, but as previously noted, costs associated with compliance with federal water quality regulations have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates.

The Company currently estimates that less than 5% of the service lines within its regulated service territories contain lead on either the Company or customer portion of the service line. The Company is replacing LSLs as part of its ongoing water main replacement and service line renewal projects. The Company's goal is to work with the communities it currently serves to replace a significant majority of presently known LSLs in most of its service areas by the end of 2030, at an estimated additional investment range of $600 million to $1.2 billion. The Company believes this will be attainable for most of its service areas where public policy is supportive of this goal. The IIJA was signed into law in November 2021 and provides for up to $15 billion for lead service line replacement through drinking water state revolving funds. The Company is awaiting further guidance on eligibility, the application process and the distribution of these funds. With regard to future acquisitions, the Company will work with those communities as part of the acquisition process to set LSL removal goals appropriate for those systems. The prioritization of LSL removal is dependent on several factors, including the Company's planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCR compliance monitoring results, and cooperation with its customers with respect to replacing the customer-owned portion of the LSL as necessary. In certain cases, these and other factors may result in a shorter or longer time frame for replacement. Because replacing the external LSL in its entirety is advised by several water industry organizations including the U.S. National Drinking Water Advisory Council, the Lead Service Line Replacement Collaborative, and the American Water Works Association, the Company's preferred approach is to replace the entire external LSL if lead is found on either the Company or customer portion of the service line; full LSL replacement is also consistent with the LCRR. The Lead Service Line Replacement Collaborative is a diverse group of public health, water utility, environmental, labor, consumer and housing organizations from across the country working together to encourage communities to accelerate the full replacement of LSLs through collaborative efforts at the local level.

Clean Water Act

The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to the Company's wastewater collection systems, its operations require discharge permits under the National Pollutant Discharge Elimination System ("NPDES") permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA and implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of fines and penalties, and persistent non-compliance could lead to significant fines and penalties and other compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on the Company's operations. From time to time, discharge violations occur at the Company's facilities, some of which result in fines. The Company does not expect any such violations or fines to have a material impact on its results of operations or financial condition. The EPA has identified leveraging wastewater discharge permitting and application of biosolids, or sewage sludge, containing PFAS as areas of focus in its PFAS Strategic Roadmap. Individual states may also take action in these areas. As indicated previously, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from any new requirements in these areas.

Research and Development

The Company's Research and Development Program

The Company maintains an industry-leading research and development ("R&D") program that is designed to enhance its services, support its compliance activities, improve service quality and operational effectiveness, and provide environmental leadership. For more than three decades from its inception, American Water's R&D program has evolved into an industry-leading effort and has achieved numerous advancements in the science of drinking water, wastewater, and desalination. Through laboratory and industry resources and the team's expertise, efforts are focused on contaminants of emerging concern, including but not limited to COVID-19, PFAS, Legionella, cyanotoxin-forming algal blooms, a variety of pathogens (for example, Cryptosporidium, Giardia, enteric viruses, and various bacteria), microbial indicators and disinfection byproducts. The Company's R&D personnel are located at the Company's corporate headquarters and at two laboratory testing facilities in New Jersey and Illinois, the latter housing its quality control and testing laboratory, which supports the Company's R&D activities through testing and analysis.

The Company continues to leverage its expertise and collaborates with the EPA and state agencies to help establish effective environmental, health and safety, and water quality standards and regulations. This relationship includes the sharing of the Company's research, such as its treatment and distribution system optimization research and its national water quality monitoring data. The Company's engagement with the EPA provides it with early insight into emerging regulatory issues and initiatives, thereby allowing the Company to anticipate and to accommodate its future compliance requirements. The Company also frequently engages with the Centers for Disease Control and Prevention, other state environmental agencies, and national and international water research foundations. The Company believes that continued R&D activities are critical for providing safe, reliable and affordable services, as well as maintaining its leadership position in the industry, which provides the Company with a competitive advantage as it seeks business and operational growth.

Contaminants of Emerging Concern

Contaminants of emerging concern include numerous chemicals such as PFAS, pharmaceuticals, personal care products, pesticides, herbicides, antibiotic resistant bacteria (ARB), antibiotic resistant genes (ARG), endocrine disrupting compounds, microplastics and industrial chemicals, as well as certain naturally occurring microbes, such as bacteria, viruses and parasites, which have been detected in drinking water supplies, for which the risk to the public's health is not fully understood and/or has not been assessed. Technological advances have only recently made it possible to detect many of these contaminants at trace levels. The ability to detect contaminants, even at trace levels, has invited discussion about these contaminants among regulators and government agencies, which in turn shapes the public's perception of drinking water quality.

The Chemicals Abstract Service Registry contains over 203 million registered chemicals, with an estimated 1,400 species of disease-causing microbes that can affect humans. The Company is continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to its water supply, to act on emerging regulations and new health advisories, and to evaluate the benefits of alternative or advanced treatment technologies. The Company utilizes water quality testing equipment and implements new and emerging technologies to help detect potential water supply contamination issues. Examples of the Company's efforts include:

- monitoring impacts of environmental pathogen loads and removal through wastewater systems;
- characterizing factors that contribute to the formation of potentially carcinogenic disinfection by-products to define best practices for their mitigation;

- advancing the science on holistic management strategies to improve distribution system water quality further;
- using its research findings to communicate information to its customers regarding potential actions to limit occurrences of Legionella in their buildings; in this regard, the Centers for Disease Control and Prevention statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with customer-owned plumbing systems in large buildings;
- defining a framework to support management or possible future regulation of opportunistic pathogens;
- developing expanded monitoring methods for short-chain and fluorinated replacement PFAS and piloting treatment techniques;
- systematically investigating PFAS removal by treatment processes in a wide range of water matrices;
- leading a PFAS risk communication strategy for the water sector;
- using innovative technologies to detect and manage algal blooms to help prevent taste and odor events and cyanotoxins before they get to the water treatment plant;
- monitoring of taste and odor issues that impact customer satisfaction using expanded analytical methods to detect compounds, and evaluating and recommending treatment practices;
- implementing water source assessment tools, including sensors and data analytics, to evaluate and track chemical storage and aid in the identification of source water contamination events;
- developing methodology and advanced measurement techniques for contaminants of emerging concern to investigate transport, occurrence and treatment; and
- implementing activated carbon, biofiltration and ion exchange treatment to seek to control contaminants of emerging concern.

Service Company and Security

American Water Works Service Company, Inc. (“Service Company”) is a wholly owned subsidiary of the Company that provides support and operational services to the Company and its affiliates. These services are predominantly provided to the Company’s Regulated Businesses under contracts that have been approved by PUCs, where necessary, and are also provided to the MSG and CSG businesses as requested or may otherwise be necessary. Services provided by Service Company may include accounting and finance, administration, business development, communications, compliance, education and training, engineering, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, R&D, rates and regulatory support, security, risk management and insurance, treasury, and water quality. Service Company also provides customer support to the Company’s Regulated Businesses, which includes call handling, billing, a major accounts program and other related services. Services are provided by Service Company at cost, enabling the Company’s operating subsidiaries to fulfill their responsibilities in a cost-effective manner, while providing them access to in-depth, functional expertise.

The Company’s security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout its operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company’s physical assets, business systems and operational technologies. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against unauthorized access to the Company’s information systems. These controls are aimed at (i) assuring the continuity of business processes that are dependent upon automation, (ii) maintaining the integrity of the Company’s data, (iii) supporting regulatory and legislative compliance requirements, and (iv) maintaining safe and reliable service to the Company’s customers. The Company engages in partnerships with U.S. federal, state and local law enforcement agencies to coordinate and improve the security of its water delivery systems and to safeguard its water supply and operations.

Environmental, Social Responsibility and Governance

The Company considers environmental, social responsibility and governance (“ESG”) principles fundamental to its corporate strategy and values. Integration of these principles into the Company’s daily operations emphasizes its belief that “how” a company operates is just as important as “what” a company does.

Delivering a reliable supply of safe, clean and affordable water to customers and treating wastewater has been fundamental to the Company’s business for decades. Within every community in which the Company operates, there is an opportunity to make a sustainable positive impact on the community, reflect the communities served with diverse and skilled employees, and maintain the governance and diligence to meet or exceed service expectations for decades to come.

Key Highlights

Demonstrated ESG Leadership

- The Company's values and actions have achieved prestigious recognition by many leading firms devoted to recognizing companies that demonstrate ESG leadership.
- The Company was ranked fifth in the Energy and Utilities industry category within Newsweek's 2023 list of America's Most Responsible Companies and ranked 19th within Barron's list of the 100 Most Sustainable Companies in 2022.
- The Company was included in the Bloomberg Gender Equality Index for the fifth consecutive year, was recognized as a top-scoring company, for the fourth consecutive year, on the Disability Equality Index (DEI)®, as well as a Military Friendly Employer and Supplier.
- The Company earned the U.S. Department of Homeland Security SAFETY Act Designation for its internal enterprise security program, which includes risk management processes, personnel training and emergency exercises, and security oversight activities. The Company was the first U.S. water and wastewater company and third utility to earn this designation.

Environmental and Sustainability

- Emissions for the Company's Regulated Businesses
  - The Company established medium- and long-term goals that are science-based and aligned with the Paris Agreement, for scope 1 (direct) and scope 2 (indirect, derived from the Company's purchase of power) greenhouse gas emissions reductions.
  - The goals aim to reduce absolute scope 1 and 2 emissions by 50% by 2035 (from a 2020 baseline year) and achieve net zero scope 1 and scope 2 emissions by 2050.
  - These goals complement the Company's existing short-term goal of reducing absolute scope 1 and 2 greenhouse gas emissions by more than 40% by 2025 (from a 2007 baseline year).
  - The Company has also estimated certain of its scope 3 greenhouse gas emissions, including Categories 1 (Purchased Goods and Services), 2 (Capital Goods), 3 (Fuel and Energy Related Activities) and 6 (Business Travel).
- Water Quality & Wastewater
  - The Company employs a team of R&D scientists dedicated to partnering with water research organizations on water quality and technology-based source water monitoring.
  - The Company received 11 drinking water Notices of Violation ("NOVs") in 2022, two of which were related to water quality and maximum contaminant level exceedances. These metrics are determined by counting the overall number of drinking water NOVs and drinking water NOVs related to maximum contaminant level exceedances received by the Company in accordance with internally established procedures, which may exclude NOVs related to newly-acquired systems and associated with third-party violations, among others.
  - The Company invested approximately $2.3 billion in renewing and improving assets of the Regulated Businesses in 2022 and expects to invest between $12.5 billion to $13 billion over the next five years. Nearly 70% of the Company's capital plan is dedicated to infrastructure renewal and improvement, 10% to 12% is allocated to resiliency, and the balance is invested in water quality, operational efficiency, system expansion and other categories.
- Policy Leadership
  - The Company collaborates and partners with federal and state agencies to support effective environmental, health and safety, and water quality and affordability standards and regulations.
  - The Company participates in many industry organizations at the local, state and national level, including: The National Association of Water Companies (NAWC), American Water Works Association (AWWA) and Edison Electric Institute (EEI).

Social Responsibility

- Customers
  - The Company's average monthly residential water bills were approximately $57 in 2022, or 0.77% of the median household income, based on data from the U.S. Census Bureau's American Community Survey. The Company is focused on keeping customer bills affordable compared to income, driving a culture of continuous improvement, diligent cost management, and technology enhancements that help drive affordability.
  - The Company supports low-income customer assistance programs across 12 states: California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia.
  - To better reflect the customers that the Company serves, the Company increased spend with diverse suppliers and small businesses in 2022 by more than 35% compared to last year.
  - For 2022, the Company achieved an aggregate residential customer satisfaction rating in the top half among the Company's industry peer group. We measure performance on Customer Experience through our performance on the J.D. Power U.S. Water Utility Residential Customer Satisfaction Study. The study measures the satisfaction of residential water customers of the 90 largest water utilities in the United States and considers six factors to score companies on a 1,000-point scale: quality and reliability; price; conservation; billing and payment; communications; and customer service.
- Employees
  - During 2022, over 117,000 hours of safety training, including physical security and cybersecurity training, were completed by the Company's employees, as well as a mandatory Code of Ethics training requirement.
  - The Company has made significant progress toward its zero injuries goal, reducing workplace injuries by 52% since 2017. Through year-end 2022, the Company has further reduced its OSHA recordable injury rate ("ORIR") to 0.85, the lowest in the Company's recorded history, which is approximately two times better than the water industry average.
  - During 2022, approximately 83% of the Company's job requisitions had a diverse candidate pool, with approximately 46% of transfers or promotions filled by diverse individuals.
- Communities
  - More than $900,000 was donated in 2022 by the Company's employees and the American Water Charitable Foundation (AWCF), a 501(c)(3) private foundation established by American Water in 2010, of which over $430,000 was provided by employees through workplace giving campaigns including the United Way, Water For People and other volunteering giving campaigns that supported more than 1,600 public charities nationwide. These efforts were in addition to the $2.3 million given by the AWCF through the Keep Communities Flowing Grant Program - more than $3 million combined.
- Stakeholder Engagement
  - In 2022, the Company completed a materiality assessment to align ESG efforts with stakeholder priorities. Participants included, among others, regulators, investors, customers, employees, and a member of the Company's Board of Directors. The results of the assessment will be included in the Company's 2021-2022 Sustainability Report, which will be published in 2023.

Governance

- Board and Committees
  - The Board of Directors and each of its standing committees are led by an independent, non-executive chair.
  - The Board of Directors met 15 times in 2022.
  - The Board of Directors' Safety, Environmental, Technology and Operations (SETO) Committee, which oversees several key ESG matters, met four times in 2022.
  - The Board of Directors reflects gender, racial and experiential diversity. As of December 31, 2022, approximately 64% of the Company's directors voluntarily self-identified as diverse based on gender, race, disability and military veteran status.
  - The Company's average director tenure was approximately 7 years as of December 31, 2022.

- The members of the Company's Board of Directors have demonstrated expertise, including, among others, experience in utility operations, regulatory matters, sustainability, customer service, cybersecurity, the military, financial services and capital markets, service as a public company CEO, CFO and/or board member, and management of global operations.

- ESG-Related Disclosures and Transparency
  - The Company issued its annual ESG Data Summary on its website, covering sustainability performance for key metrics within the 2022 calendar year.
  - In addition, the Company issued its second annual Inclusion, Diversity & Equity Report and launched a new diversity website, which describes the Company's inclusion and diversity strategies, practices, policies and programs from across the business. New disclosures include:
    - EEO-1 data for 2020 and 2021;
    - Summary of results and conclusions from the Company's third-party pay equity studies and internal labor market analyses; and
    - Two new people-related goals in the 2022 Annual Performance Plan ("APP") meant to increase representation of women and increase ethnic and racial diversity among employees at American Water, adding to existing APP sustainability goals.
  - The Company discloses on its website its Political Contributions Policy, and, on an annual basis, information related to its political contributions, payments to tax-exempt organizations and trade associations, and lobbying expenditures.

Human Capital Resources

Overview

The Company's people are a critical part of its business, and the Company's investment in its people begins with the recruitment of qualified and diverse talent and continues throughout employment. The Company's employee value proposition, called weCARE, is a central part of the Company's human capital resources mission and focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer.

Additionally, the Company believes that representing the communities in which it serves plays a key role in its ability to serve its customers and improves its talent. To support this proposition, the Company promotes an inclusive culture where its employees are given the opportunity to develop to their fullest potential and understand that they directly contribute to the Company's ability to operate, grow, and serve its customers. The Company also believes that investing in the safety, health and well-being of its employees is a key component of its people and culture goals, and that these investments allow employees to generate great ideas, provide quality customer service and make a difference in the lives of the Company's customers.

Employee Health and Safety

A longstanding value and strategy of the Company is safety. In this regard, the Company continues to focus on the safety of its employees and contractors so that they may return home from work in the same, or better, condition than when they arrived. The Company strives for all employees to feel emotionally safe, live a healthy lifestyle and be physically safe at work and at home. The Company assesses occupational health and safety to measure performance across the entire organization, with the ultimate goal of achieving zero incidents, injuries and fatalities for the Company's employees and contractors.

To uphold the Company's commitment to safety, the Company's employees completed over 117,000 hours of employee safety training, including physical security and cybersecurity training, during 2022. Additionally, through frequent labor-management meetings, the Company encourages open exchanges to explore new ways to further enhance safety on the job. All employees are empowered to demonstrate safety leadership by taking the time they need to complete a task safely and to use "Stop Work Authority" — the power to stop working immediately whenever they believe a task is unsafe — to personally mitigate the hazard or issue or collaborate with management to create a safe situation. The Company believes that this Stop Work Authority is so important that it is stated on the back of every employee's identification badge.

For 2022, the Company had its lowest ORIR injury rate in its recorded history, achieving an 18.8% reduction in injuries compared to 2021, taking into account a 7% decrease in labor hours due to the sales of HOS and the Company's New York subsidiary. Also, the number of Days Away Restricted or Transferred ("DART") injuries decreased by 36.1% compared to 2021. This decrease shows a significant improvement in those injuries that have a higher severity. For 2022, the Company's ORIR was 0.85 (52 injuries) and its DART rate was 0.37 (23 injuries), compared to an ORIR of 0.97 (64 injuries) and a DART rate of 0.54 (36 injuries) in 2021.

In 2022, American Water teams led by promoting safety leading indicator activities, including pre-job safety briefings and near miss reporting, and by achieving internal Certified Safe Worker designations. Near miss reports, where employees report potential hazards or incidents in a safe and secure manner, increased by 20% in 2022 over 2021, and 97% of near miss incident corrective actions were completed, with nearly 90% completed within 30 days. The Company utilizes near miss reporting and timely corrective actions as key measurements of employee engagement and safety performance.

The commitment to safety as a strategic imperative also includes building a culture of well-being where all employees can feel emotionally safe and live a healthy lifestyle. Through well-being education, the Company is able to encourage employees to take preventative actions and increase participation in annual well-care exams and cancer screenings, which increased by over 4% during 2022, compared to 2021.

Employee and Workplace Reintegration

As an essential business that provides water and wastewater services, during 2022, the Company continued to focus on the care and safety of its employees, contractors, vendors and others who work at or visit the Company's worksites. The Company launched its employee and workplace reintegration plan to bring its employees safely back to the workplace and in its field operations in the wake of easing of COVID-19-related restrictions by federal, state and local governmental and health authorities. The Company instituted greater workplace flexibility, including hybrid work opportunities, where feasible. The Company supported these reintegration efforts by keeping employees' safety, health and emotional well-being as a top priority and by continuing to follow guidance from the U.S. Centers for Disease Control and Prevention, as well as federal, state and local health authorities. The Company also continued to provide employees with temporary medical and emotional health benefits as needed during 2022. To keep employees informed on the changing conditions during reintegration and to support their emotional well-being, the Company held several all-employee podcasts featuring medical and emotional health speakers who discussed the status of the pandemic, provided updates on vaccine and booster activity, and led sessions focused on workforce and personal change management related to reintegration.

Inclusion, Diversity and Equity

During 2022, the Company continued to focus on creating a culture through its promotion of inclusion, diversity and equity. At all levels, the Company strives to understand, respect, value and provide equal opportunity to each employee, and to foster an environment where employees' differences are embraced and celebrated. The Company holds as an essential concept the right of employees to proudly share their ideas and unique perspectives in an environment built on mutual respect, equity and inclusion. The Company is committed to diversity among its workforce, executive and senior management leadership teams, by reflecting the diversity of the communities in which the Company serves. The Company expects all leaders to lead with inclusion, diversity and equity.

In 2022, the Company included in its APP new workforce diversity performance goals designed to increase the representation of women and ethnic and racial diversity in the Company's workplace. The goals measure the percentage of female and racial/ethnic diversity among the Company's workforce based on voluntary self-identification. In addition, the Company continues to hold its leaders accountable for developing a diverse workforce by maintaining management level representation goals.

In addition, in 2022, the Company introduced its DiversityatAW.com website to provide transparency and communicate progress on the Company's workforce diversity initiatives. This web site currently includes, among other information, the Company's ID&E report, its EEO-1 data for 2021, key employee diversity metrics (which are updated quarterly), and a discussion of the Company's pay equity study and internal labor market analysis.

During 2022, 83.1% of the Company's hiring candidate pools were diverse. Additionally, for 2022, approximately 46.4% of the Company's internal employee transfers and promotions were filled with a diverse individual, reflecting the Company's commitment to employee development and career growth as well as the Company's focus on diversity, inclusion and equity. For purposes of these metrics, diversity refers to gender, race, ethnicity, disability, veteran/military spouse status, and LGBTQ+ status, all based on voluntary, self-identified employee information.

The Company maintains active memberships with groups such as Hiring our Heroes, Military Spouse Employment Partnership, American Corporate Partners, CEO Action for Diversity and Inclusion, Disability: IN, Paradigm for Parity, and Out and Equal, to further enhance its ability to recruit and retain diverse employees. Among this year's recognitions, the Company was designated as a 2022 Military Friendly® Silver Employer and recognized by Military Times for its industry-leading efforts on hiring and supporting U.S. military veterans.

The Company was also a top scorer in the 2022 Disability Equality Index for the fourth consecutive year and was recognized by U.S. Veterans Magazine as a veteran-friendly company and as an organization with a veteran-friendly supplier diversity program. The Company also received the 2022 DiversityInc Top Utility recognition for 2022.

In keeping with the Company's values, the Company does not tolerate discrimination, harassment or retaliation by or toward any employee, vendor, customer or other person in its workplace. All employees are required to complete anti-harassment, workplace respect and dignity, unconscious bias and inclusion and diversity training. In addition, annual Code of Ethics training is provided to all employees, which includes instructions on using the Company's anonymous hotline for reporting potential Code of Ethics violations.

The Company's four Employee Business Resource Groups ("EBRGs"), which represent diverse employee demographics (Women, African American/Black, LGBTQ+ and Disabilities/Caregivers), strive to create measurable and long-lasting positive impacts on employees' careers, as well as the Company's culture and communities in which it serves. EBRG members participate in community events throughout the year, which highlight the importance of supporting community partnerships. For example, employees participated in the annual Juneteenth Unity Walk that supported the National Alliance on Mental Illness, an organization that provides advocacy, education, and support for, and public awareness of, mental illness.

Total Rewards

American Water's health and well-being programs are approached holistically by offering the following benefits, among others: medical, prescription, dental, vision, disability, a retirement savings plan, and life insurance coverage, as well as a health and wellness program and a menu of additional voluntary benefits. The Company's Total Rewards programs are designed to reflect many aspects of employee health and well-being, cultivate an inclusive workforce, and motivate, attract and retain talent to seek to achieve the Company's strategic business priorities.

As part of Total Rewards, the Company provides a comprehensive compensation and benefit program designed to recognize the vital roles the Company's employees play. Further, all the Company's employees, including those who are union-represented, participate in the APP, to promote alignment between performance-based compensation and the Company's short-term performance goals. As part of its commitment to providing an inclusive and equitable culture for all employees, the Company regularly reviews pay equity to make sure pay decisions are based on the responsibilities, talents and skills of our employees, rather than, factors such as gender, race or ethnicity.

All employees who average 30 hours or more per week receive full-time benefits. Approximately 90% of all benefit eligible employees are enrolled in the Company's healthcare benefits. Full-time employees pay approximately 16% of the total cost of medical, dental and vision coverage. Additional medical benefits include coverage for applied behavior analysis, autism treatment, transgender services and hearing aids, as well as a fertility assistance benefit. The Company also offers additional employment benefits, including holiday, vacation and sick time, which are at levels generally greater than or equal to those offered by other companies in the utility industry.

Every five years, the Company negotiates national health and welfare benefits with its union-represented employees. On November 30, 2022, a five-year extension of the Company's national benefits agreement with its union-represented employees was reached and ratified, effective through July 2028. See — Workforce Data below for more information. The extension agreement includes, among other things, a revised benefit cost sharing allocation, six weeks of paid family leave, an increase in the target payout under the APP for covered employees, and coverage for infertility treatment beginning in plan year 2025.

Talent Development

The Company partners with business leaders to understand the key behaviors and competencies required to operate safely and effectively, and to foster professional growth with the goal to create and deploy programs designed to attract, motivate, develop and retain talented employees, and foster a learning culture. The Company also requires every employee, including its union-represented employees, to complete a minimum of 25 hours of training each year. Approximately 96.7% of active full-time employees hired before October 1, 2022, met this requirement for 2022, with over 302,000 hours of total training completed during the year. In addition to required role-based training, managers assist employees to identify professional development opportunities, utilizing a framework of on-the-job learning, social learning, and formal learning, to help them reach their full potential and grow their careers.

Developing talent to provide a pathway to executive leadership is a critical priority for the Company. During 2022, the Company engaged in succession planning activities for the Company's business-critical and business-impact positions. These succession plans aid in providing continued leadership for the growth and future of the Company's business, while also seeking to promote diversity, retention and development. In addition to succession of executive and senior leadership roles, in 2022, the Company initiated talent reviews, which served to identify critical skills and competency areas as well as top and emerging talent with a focus on diversity, and supported a discussion of strengths, gaps and development plans. Talent reviews were conducted for a select group of employees, including employees who are being assessed for senior leadership or other critical roles.

Employee Experience

The Company has established its weCARE employee value proposition that focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer. weCARE is composed of five elements: deeper connections; personal growth; shared purpose; flexibility; and well-being. weCARE represents the Company's commitment to value its employees and build a safe, healthy and inclusive culture where every employee knows their value and is appreciated for their talents and commitment to supporting the Company's success. The Company offers employees programs covering each of the five components of weCARE. The Company is committed to improving the employee experience by listening to employees through focus group discussions and employee surveys, among other tools. To that end, the Company captures employee feedback, which helps the Company understand how employees are feeling and permits appropriate refinement of the Company's employee programs, benefits and support.

In early 2022, the Company introduced a new development role of Culture Champion. Each Culture Champion is responsible for partnering with their local leadership and managing and communicating local activities and actions that seek to advance the Company's culture.

Workforce Data

As of December 31, 2022, the Company had approximately 6,500 employees. For 2022, the Company's employee turnover rate, which the Company defines as the ratio of the number of separated employees to the 12-month average headcount during 2022, was 12.3%, down from 13.1% in 2021. American Water seeks to reduce regrettable employee turnover by assessing the effectiveness of weCARE and through its efforts to foster the Company's employee experience.

As of December 31, 2022, approximately 47% of the Company's workforce was represented by unions, which include 75 collective bargaining agreements with 14 different unions. In 2022, the Company entered into three new collective bargaining agreements that cover approximately 215 employees, and renegotiated all 21 collective bargaining agreements that were set to expire during the year. During 2023, 18 of the Company's collective bargaining agreements will expire in accordance with their terms and the Company expects to be able to negotiate these agreements during the year. In addition, on November 30, 2022, a five-year extension of the Company's national benefits agreement was ratified through July 31, 2028. This agreement covers approximately 3,000 of the Company's union-represented employees and their families and provides them with healthcare and other benefits. The Company also collaborates with union leadership on topics such as safety, customer, technology and employee benefits in forums such as the Joint Healthcare Committee, National Labor Management Committee and the annual Labor Management Conference.

Board Oversight

The Executive Development and Compensation Committee (ED&CC) of the Board of Directors establishes and reviews the Company's overall compensation philosophy and oversees the compensation and benefits plans and programs for its executive officers. The ED&CC oversees the process of planning for executive officer succession. It also provides oversight of the Company's inclusion, diversity and equity programs and initiatives. Further, the ED&CC is responsible for reviewing and assessing, at least annually, the Company's culture and related culture engagement, its organizational and leadership development plans and programs, and its programs designed to identify, attract and retain high-potential employees.

Information About Our Executive Officers

Presented in the table below are the name, age, offices held and business experience for each of the Company's executive officers, as of February 15, 2023:

Name	Age	Office and Experience
M. Susan Hardwick	60	**President and Chief Executive Officer.** Ms. Hardwick has served as President and Chief Executive Officer of the Company since February 2, 2022. She joined the Company in June 2019 as the Company's Executive Vice President—Finance and served as the Company's Chief Financial Officer from July 2019 until May 16, 2022. From December 7, 2021 until January 31, 2022, Ms. Hardwick also served as Interim Chief Executive Officer. Prior to joining the Company, Ms. Hardwick served as the Executive Vice President and Chief Financial Officer of Vectren Corporation, which was sold to CenterPoint Energy, Inc., an electric and natural gas utility, on February 1, 2019. Ms. Hardwick joined Vectren Corporation in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co. Ms. Hardwick is a Certified Public Accountant. Since September 2020, Ms. Hardwick has served on the Board of Directors of New Jersey Resources Corporation, a diversified energy services company, where she is currently serving a three-year term expiring in 2024, and since January 1, 2021, she has served as a member of its Audit Committee.
James H. Gallegos	62	**Executive Vice President and General Counsel.** Mr. Gallegos joined the Company on April 1, 2022 as its Executive Vice President and General Counsel. Prior to joining the Company, since February 2020, Mr. Gallegos served as the Executive Vice President, General Counsel and Corporate Secretary of Alliant Energy Corporation, a regulated, investor-owned public utility holding company, and its two utility subsidiaries (collectively, "Alliant Energy"). From February 2015 to February 2020, Mr. Gallegos served as Senior Vice President, General Counsel and Corporate Secretary of Alliant Energy. Prior to that, Mr. Gallegos served in various positions with U S WEST, Inc., which merged with Qwest Communications International Inc. in 2000.
John C. Griffith	56	**Executive Vice President and Chief Financial Officer.** Mr. Griffith joined the Company on May 16, 2022 as its Executive Vice President and Chief Financial Officer. Prior to joining the Company, since 2014, Mr. Griffith served as Managing Director, Mergers and Acquisitions, for Bank of America Securities' Global Regulated Utilities and Renewable Energy practice. Prior to joining Bank of America Securities, from 2008 to 2014, Mr. Griffith served as the Chief Executive Officer of HighWave Energy, a renewable fuels start-up company, and from 1995 to 2008, he served in various capacities of increasing responsibility with Merrill Lynch & Co.
Melanie M. Kennedy	49	**Executive Vice President, Chief Human Resources Officer.** Ms. Kennedy has served as the Company's Executive Vice President, Chief Human Resources Officer since December 2021, and as Senior Vice President, Chief Human Resources Officer from December 2020 to December 2021. Prior to that, she served as the Company's Senior Vice President, Human Resources from March 2017 to December 2020. From August 2014 through February 2017, Ms. Kennedy served as the Company's Vice President, Human Resources, and from August 2012 to August 2014, she served as Director, Human Resources in the Company's Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.
Cheryl Norton	58	**Executive Vice President and Chief Operating Officer.** Ms. Norton has over 30 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management and research. She has been serving as the Company's Executive Vice President and Chief Operating Officer since March 2021 and served as its Senior Vice President, Chief Environmental Officer from March 2020 to March 2021. She was also the Company's Senior Vice President, Eastern Division and President of its New Jersey subsidiary from March 2019 to March 2021. Prior to that, Ms. Norton served as President of the Company's Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.

Each executive officer is elected annually by the Board of Directors and serves until their respective successor has been elected and qualified or their earlier death, resignation or removal.

Available Information

The Company is subject to the reporting requirements of the Exchange Act. The Company files or furnishes annual, quarterly and current reports, proxy statements and other information with the SEC. Readers may obtain a copy of the Company's Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q or its Current Reports on Form 8-K, or any amendments to them, that are filed with or furnished to the SEC, free of charge, from the Investor Relations section of the Company's website, *https://ir.amwater.com,* as soon as reasonably practicable after the Company files or furnishes the information to the SEC.

The Company maintains a website at *https://amwater.com*. Information contained on the Company's website, including its Sustainability Report, its Inclusion, Diversity & Equity Annual Report, and other reports or documents, including the information and data on the Company's diversity website *https://Diversityataw.com*, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. The Company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing information to comply with SEC Regulation FD.

The American Water corporate governance guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding the Company's corporate governance, are available on its Investor Relations website, *https://ir.amwater.com,* and will be made available, without charge, in print to any shareholder who requests such documents from its Investor Relations Department, American Water Works Company, Inc., 1 Water Street, Camden, NJ, 08102.

ITEM 1A. RISK FACTORS

We operate in a market and regulatory environment that involves significant risks, many of which are beyond our control. In addition to the other information included or incorporated by reference in this Annual Report on Form 10-K, the following material factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position, results of operations, cash flows and liquidity.

Risks Related to Our Industry and Business Operations

Our Regulated Businesses are subject to extensive regulation by state PUCs and other regulatory agencies, which significantly affects our business, financial condition, results of operations and cash flows. Our Regulated Businesses also may be subject to fines, penalties and other sanctions for an inability to meet these regulatory requirements.

Our Regulated Businesses provide water and wastewater services to our customers through subsidiaries that are subject to regulation by state PUCs. This regulation affects the rates we charge our customers and has a significant impact on our business and operations. Generally, the state PUCs authorize us to charge rates that they determine are sufficient to recover our prudently incurred operating expenses, including, but not limited to, operating and maintenance costs, depreciation, financing costs and taxes, and provide us with the opportunity to earn an appropriate rate of return on invested capital.

Our ability to successfully implement our business plan and strategy depends on the rates authorized by the various state PUCs. We periodically file rate increase applications with state PUCs. The ensuing administrative process may be lengthy and costly. Our rate increase requests may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. Moreover, a PUC may not approve a rate request in an amount that is sufficient to:

- cover our cost of operations, including: purchased water; chemicals; and fuel, power and other commodities used in our operations;
- cover our operational labor and labor-related expenses, including without limitation costs and expenses associated with our pension and other post-employment benefits;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

Approval by the PUCs is also required in connection with other aspects of our Regulated Businesses, which are required to have numerous permits, approvals and certificates from the PUCs that regulate their businesses and authorize acquisitions, dispositions, debt and/or equity financing, and, in certain cases, affiliated transactions. Some state PUCs are empowered to impose financial penalties, fines and other sanctions for non-compliance with applicable rules and regulations. Although we believe that each utility subsidiary has obtained or sought renewal of the material permits, approvals and certificates necessary for its existing operations, we are unable to predict the impact that future regulatory activities may have on our business.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if the rates approved are sufficient, we face the risk that we will not achieve the rates of return on our invested capital to the extent permitted by state PUCs. This could occur if certain conditions exist, including, but not limited to, (i) water usage is less than the level anticipated in establishing rates, (ii) customers increase their conservation efforts, (iii) we experience unusual or emergent situations, events or conditions (including with respect to the COVID-19 pandemic), or (iv) our investments or expenses prove to be higher than the levels estimated in establishing rates. It may be difficult to predict the outcome or impact of these events on us or the actions that may be taken by the PUCs or other governmental authorities in response thereto.

Our operations and the quality of water we supply are subject to extensive and increasingly stringent environmental, water quality and health and safety laws and regulations, including with respect to contaminants of emerging concern, compliance with which could impact both our operating costs and capital expenditures, and violations of which could subject us to substantial liabilities and costs, as well as damage to our reputation.

Our water and wastewater operations are subject to extensive federal, state and local laws and regulations. These requirements include, among others, CERCLA, the Clean Water Act, the Safe Drinking Water Act, the LCRR and other federal and state requirements. For example, state PUCs and environmental regulators set conditions and standards for the water and wastewater services we deliver. If we deliver water or wastewater services to our customers that do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves providing water service for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more

significant risk to us than to a company not similarly involved in the water and wastewater industry.

In addition, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. We are also required to obtain various environmental permits from regulatory agencies for our operations.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations and their enforcement, have become more stringent over time, and new or stricter requirements could increase our costs. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, there can be no guarantee that the various state PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity.

We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination, including potential releases of hazardous chemicals, such as chlorine, which we use to treat water, or at off-site locations where we have disposed of residual waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to contaminants of emerging concern, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). Examples of sources of contaminants include, but are not limited to, newly created chemical compounds (including, for example, manufactured nanomaterials); human and veterinary products; perfluorinated and polyfluorinated compounds; bacteria, microbes, viruses (including COVID-19), amoebae and other pathogens; and residual by-products of disinfection. We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants, and our role is to provide service that meets these standards, if any. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for a contaminant in the absence of a regulatory standard. Furthermore, given the rapid pace at which these contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system or supplies, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe these contaminants may form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

Limitations on availability of water supplies or restrictions on our use of water supplies because of government regulation or action may adversely affect our access to sources of water, our ability to supply water to customers or the demand for our water services.

Our ability to meet the existing and future demand of our customers depends on the availability of an adequate supply of water. As a general rule, sources of public water supply, including rivers, lakes, streams, groundwater aquifers and recycled water sources, are held in the public trust and are not generally owned by private interests. As a result, we typically do not own the source water that we use in our operations, and the availability of our water supply is established through allocation rights (determined by legislation or court decisions) and passing-flow requirements set by governmental entities or by entering into water purchase agreements. These requirements, which can change from time to time, and vary by state or region, may adversely impact our water supply. Supply issues, such as drought, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. If we are unable to secure available or alternative sources of water, our business, financial condition, results of operations and cash flows could be adversely affected.

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with the cease and desist orders issued by the SWRCB in July 1995 and October 2009 (the "1995 Order," the "2009 Order" and, as amended in July 2016, the "2016 Order" and, collectively, the "Orders") that require Cal Am to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule that terminated on December 31, 2021. See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter. We are also required to augment our Monterey County sources of water supply to comply with the requirements of the Endangered Species Act. For 2022, Cal Am complied with the diversion limitations contained in the 2016 Order, but continued compliance with these limitations in 2023 and future years may be impacted by a number of factors, including without limitation continued drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material

additional costs or obligations, including fines and penalties against Cal Am in the event of noncompliance with the Orders, which could have a material adverse effect upon us and our business, results of operations and cash flows.

Service disruptions caused by severe weather conditions, climate variability patterns or natural or other disasters may disrupt our operations or reduce the demand for our water services, which could adversely affect our financial condition, results of operations, cash flows and liquidity.

Service interruptions due to severe weather, climate variability patterns and natural or other events are possible across all our businesses. These include, among other things, storms, freezing conditions, high wind conditions, hurricanes, tornadoes, earthquakes, landslides, drought, wildfires, coastal and intercoastal floods or high water conditions, including those in or near designated flood plains, pandemics (including COVID-19) and epidemics, severe electrical storms, sinkholes and solar flares. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. Tariffs in place or cost recovery proceedings with respect to our Regulated Businesses may not provide reimbursement to us, in whole or in part, for any of these impacts.

Government restrictions on water use may also result in decreased use of water services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal and other drought conditions, including, for example, those currently being experienced in California, that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. Responses may range from voluntary to mandatory water use restrictions, rationing restrictions, water conservation regulations, and requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot be certain that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after a drought has ended and restrictions are lifted, which could adversely affect our business, financial condition, results of operations and cash flows.

Climate variability may cause increased volatility in weather and may impact water usage and related revenue or require additional expenditures, all of which may not be fully recoverable in rates or otherwise.

The issue of climate variability is receiving increasing attention nationally and worldwide. There is consensus among climate scientists that there will be worsening of weather volatility in the future associated with climate variability. Many climate variability predictions present several potential challenges to water and wastewater utilities, including us, such as:

- increased frequency and duration of droughts;
- increased precipitation and flooding;
- increased frequency and severity of storms and other weather events;
- challenges associated with changes in temperature or increases in ocean levels;
- potential degradation of water quality;
- decreases in available water supply and changes in water usage patterns;
- increases in disruptions in service;
- increased costs to repair damaged facilities; or
- increased costs to reduce risks associated with the increasing frequency and severity of natural events, including to improve the resiliency and reliability of our water and wastewater treatment and conveyance facilities and systems.

Because of the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity. Furthermore, laws and regulations have been enacted or proposed that seek to reduce or limit greenhouse gas emissions and require or would require additional reporting and monitoring, and these regulations may become more pervasive or stringent in light of changing governmental agendas and priorities, although the exact nature and timing of these changes is uncertain. Although some or all potential expenditures and costs associated with the impact of climate variability and related laws and regulations on our Regulated Businesses could be recovered through rates, infrastructure replacement surcharges or other regulatory mechanisms, there can be no assurance that state PUCs would authorize rate increases to enable us to recover such expenditures and costs, in whole or in part.

The current regulatory rate setting process may result in a significant delay, also known as "regulatory lag," from the time that we invest in infrastructure improvements, incur increased operating expenses as a result of inflation or other factors, incur increased cost of capital, including as a result of increasing short- and long-term rates, or experience declining water usage, to the time at which we can seek to address these events in rate case applications; our inability to mitigate or minimize regulatory lag could adversely affect our business.

There is typically a delay, known as "regulatory lag," between the time our Regulated Businesses make a capital investment or incur an operating expense increase and the time when those costs are reflected in rates. In addition, billings permitted by state PUCs typically are, to a considerable extent, based on the volume of water usage in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to mitigate or reduce regulatory lag could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

We endeavor to mitigate or reduce regulatory lag by pursuing constructive regulatory practices. For example, two of our states have approved revenue stability mechanisms that adjust rates periodically to ensure that a utility's revenue will be sufficient to cover its costs regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In addition, 10 of our state PUCs permit rates to be adjusted outside of the general rate case application process through surcharges that address certain capital investments, such as replacement of aging infrastructure. These surcharges are adjusted periodically based on factors such as project completion or future budgeted expenditures, and specific surcharges are eliminated once the related capital investment is incorporated in new PUC approved rates. Furthermore, in setting rates, nine of our state PUCs allow us to use future test years, which extend beyond the date a rate request is filed to allow for current or projected revenues, expenses and investments to be reflected in rates on a more timely basis. Other examples of such regulatory practices include expense mechanisms that allow us to increase rates for certain cost increases that are beyond our control, such as purchased water costs, property or other taxes, or power, conservation, chemical or other expenditures. These mechanisms enable us to adjust rates in less time after costs have been incurred than would be the case under a general rate case application process without the mechanisms.

While these mechanisms have mitigated or reduced regulatory lag in several of our regulated states, we continue to seek approval of regulatory practices to mitigate or reduce regulatory lag in those jurisdictions that have not approved them. Furthermore, PUCs may fail to adopt new surcharges and existing mechanisms may not continue in their current form, or at all, or we may be unable or become ineligible to continue to utilize certain of these mechanisms in the future. Although we intend to continue our efforts to seek state PUC approval of constructive regulatory practices to mitigate or reduce regulatory lag, our efforts may not be successful, or even if partially successful, our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected.

Changes in laws and regulations can significantly and materially affect our business, financial condition, results of operations, cash flows and liquidity.

The impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to our Regulated Businesses is uncertain. Changes in laws or regulations, the imposition of additional laws and regulations, changes in enforcement practices of regulators, government policies or court decisions can materially affect our operations, results of operations and cash flows. Certain of the individuals who serve as regulators are elected or political appointees. Therefore, elections which result in a change of political administration or new appointments may also result in changes of the individuals who serve as regulators and changes in the policies of the regulatory agencies that they serve. New laws or regulations, new interpretations of existing laws or regulations, changes in agency policy, including those made in response to shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

- making it more difficult for us to increase our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases and other regulatory proceedings;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets, or issue long-term debt or equity, or making it less cost-effective for us to do so;
- negatively impacting, among other things: (i) tax rates or positions or the deductibility of expenses under federal or state tax laws, (ii) the availability or amount of, or our ability to comply with the terms and conditions of, tax credits or tax

abatement benefit, (iii) the amount of taxes owed, (iv) the timing of tax effects on rates or (v) the ability to utilize our net operating loss carryforwards;

- changing regulations that affect the benefits we expected to receive when we began offering services in a particular area;
- increasing the associated costs of, or difficulty complying with, environmental, health, safety, consumer privacy, water quality, and water quality accountability laws and regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via condemnation, eminent domain or other similar process, or for governmental agencies or private plaintiffs to assess liability against us for damages under these or similar processes;
- increasing the costs or difficulty of complying with proposed changes to federal contractor affirmative action audits;
- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of a CPCN issued to us by a state PUC or other governmental authority.

Regulatory and environmental risks associated with the collection, treatment and disposal of wastewater may impose significant costs and liabilities.

The wastewater collection, treatment and disposal operations of our subsidiaries are subject to substantial regulation and involve environmental risks. If collection, treatment or disposal systems fail, overflow, or do not operate properly, untreated or inadequately treated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, financial condition, results of operations and cash flows. Certain of our wastewater systems have commercial and industrial customers that are subject to specific limitations on the type, character and strength of the wastewater they are permitted to discharge into our systems. The failure by these commercial and industrial customers to comply with their respective discharge requirements could, in turn, negatively impact our operations, damage our facilities or cause us to exceed applicable discharge limitations and requirements. Liabilities resulting from such exceedance events could adversely and materially affect our business, financial condition, results of operations and cash flows.

A loss of one or more large industrial or commercial customers could have a material adverse impact upon the results of operations of one or more of our Regulated Businesses.

Adverse economic conditions may cause our customers, particularly industrial and large commercial customers, to curtail operations. A curtailment of operations by such a customer typically results in reduced water usage by that customer. In more severe circumstances, the decline in usage could be permanent. Any decrease in demand resulting from difficult economic conditions affecting these customers could adversely affect our financial condition and results of operations. Tariffs in place with respect to our Regulated Businesses may not reimburse us, in whole or in part, for any of these impacts.

Our Regulated Businesses require significant capital expenditures and may suffer if we fail to secure appropriate funding to make investments, experience increases in short- and long-term interest rates or if we experience delays in completing major capital expenditure projects.

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2022, we invested $2.3 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will continue into the future and, we believe, will increase. We expect to fund capital improvement projects using cash generated from operations (including, among other things, a portion of the net proceeds from the sale of HOS) borrowings under our revolving credit facility and commercial paper programs and issuances of long-term debt and equity. We may not be able to access our revolving credit facility or the commercial paper, long-term debt and equity capital markets, when necessary or desirable to fund capital improvements on favorable terms or at all. If we are not able to obtain sufficient financing, we may be unable to maintain our existing property, plant and equipment, fund our capital investment strategies or expand our rate base to enable us to meet our growth targets. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of supply chain interruptions, construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, legal and regulatory challenges, or other obstacles. Each of these outcomes could adversely affect our business, financial condition, results of operations and cash flows.

Aging infrastructure may lead to service disruptions, property damage and increased capital expenditures and O&M expenses and other costs, all of which could negatively impact our financial results.

We have risks associated with aging infrastructure, including water and sewer mains, pumping stations and water and wastewater treatment facilities. Additionally, we may have limited information regarding buried and newly acquired assets, which could challenge our ability to conduct efficient asset management and maintenance practices. Assets that have aged beyond their expected useful lives may experience a higher rate of failure. Failure of aging infrastructure could result in increased capital expenditures and O&M expenses and other costs, and negatively impact our future O&M efficiency ratio. In addition, failure of aging infrastructure may result in property damage, and in safety, environmental and public health impacts. To the extent that any increased costs or expenditures are not fully recovered in rates, our results of operations, liquidity and cash flows could be negatively impacted.

Seasonality could adversely affect the volume of water sold and our revenues.

The volume of water we sell during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, the volume of water sold tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the amount of water we sell may decrease and adversely affect our revenues.

Two of our jurisdictions, California and Illinois, currently have revenue stability mechanisms that permit us to recover the revenues authorized in a general rate case, regardless of sales volume. Revenue stability mechanisms are designed to recognize declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In those jurisdictions that have not adopted a revenue stability mechanism, our operating results could continue to be affected by seasonality.

Contamination of water supplies or our water service provided to our customers could result in service limitations and interruptions and exposure to substances not typically found in potable water supplies, and could subject us and our subsidiaries to reductions in usage and other responsive obligations, government enforcement actions, damage to our reputation and private litigation.

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, may be subject to contamination, including, among other items, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from manufactured sources (such as perchlorate, perfluorinated and polyfluorinated compounds, methyl tertiary butyl ether, 1,4-dioxane, lead and other materials, or chemical spills or other incidents that result in contaminants entering the water source), and possible terrorist attacks or other similar incidents. In addition, new categories of contaminants continue to emerge in the water industry. If one of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) limiting use of the water supply under a “Do Not Use” protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply, in whole or in part, potentially impacting basic sanitation and fire protection needs. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through the expansion of our current treatment facilities or the development of new sources of supply or new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms, and any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies. See Item 3—Legal Proceedings for information on certain pending lawsuits related to interruptions of water service.

Since we are engaged in the business of providing water service to our customers, contamination of the water supply, or the water service provided to our customers, could result in substantial injury or damage to our customers, employees or others and we could be exposed to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and may be brought by our customers or third parties. Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur. We may not be protected from these claims or negative impacts of these claims in whole or in part by tariffs or other contract terms. Negative impacts to our reputation may occur even if we are not liable for any contamination or other environmental damage or the consequences arising out of human exposure to contamination or hazardous substances within the water supply or distributed finished drinking water. In addition, insurance coverage may not cover all or a portion of these losses, and are subject to deductibles and other limitations. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or sanctions.

Our business and operations have a large direct and indirect customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water service, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, content, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment arising out of our operations may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our agreements related to MSG, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

The failure of, or the requirement to repair, upgrade or dismantle, any of our dams may adversely affect our financial condition, results of operations, cash flows and liquidity.

The properties of our Regulated Businesses segment include 73 dams, the majority of which are earthen dams. The failure of any of these dams could result in personal injury and property damage, including without limitation downstream property damage, for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

We also are required from time to time to decommission, repair or upgrade the dams that we own. The cost of such repairs or upgrades can be and has been material. The federal and state agencies that regulate our operations may adopt rules and regulations requiring us to dismantle our dams, which also could entail material costs. Although in most cases the PUC has permitted recovery of expenses and capital investment related to dam rehabilitation, we might not be able to recover costs of repairs, upgrades or dismantling through rates in the future. The inability to recover these costs or delayed recovery of the costs as a result of regulatory lag can affect our financial condition, results of operations, cash flows and liquidity.

Any failure of our network of water and wastewater pipes, water mains and water reservoirs could result in losses and damages that may affect our financial condition and reputation.

Our operating subsidiaries distribute water and collect wastewater through an extensive network of pipes, water mains and storage systems located across the United States. A failure of major pipes, mains or reservoirs could result in injuries, property and other damage for which we may be liable. The failure of major pipes, mains and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water and wastewater delivery requirements prescribed by government regulators, including state PUCs with jurisdiction over our operations, and adversely affect our financial condition, results of operations, cash flows, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future. Moreover, to the extent such business interruptions or other losses are not covered by insurance, they may not be recovered through rate adjustments.

An important part of our growth strategy is the acquisition of water and wastewater systems, which involves risks, including competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers, which may hinder or limit our ability to grow our business.

An important element of our growth strategy is the acquisition and optimization of water and wastewater systems in order to broaden our current, and move into new, service areas. We may not be able to acquire other systems or businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates, and whether or not any particular acquisition is successfully completed, these activities are expensive and time consuming and are subject to the availability of capital and personnel resources to complete such acquisitions.

Further, competition for acquisition opportunities from other regulated utilities, governmental entities and other strategic and financial buyers may hinder our ability to expand our business. As consolidation activity increases in the water and wastewater industries and competition for acquisitions continues to increase, the prices for suitable acquisition candidates may increase and limit our ability to expand through acquisitions.

The negotiation and execution of potential acquisitions as well as the integration of acquired systems or businesses with our existing operations could require us to incur significant costs, cause diversion of our management’s time and resources and have a material adverse impact on our results of operations. Future acquisitions by us could result in, among other things:

- unanticipated capital expenditures;
- unanticipated acquisition-related expenses;
- incurrence or assumption of debt, contingent liabilities and environmental liabilities and obligations, including liabilities that were unknown or undisclosed at the time of acquisition;
- failure to recover acquisition adjustments or premiums due to unfavorable decisions by PUCs and other governmental authorities;
- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly and/or annual results;
- failure to realize anticipated benefits and synergies, such as cost savings and revenue enhancements; and
- difficulties in integrating or assimilating acquired systems' operations, personnel, benefits, services and systems and water quality, cybersecurity and infrastructure protection measures.

Some or all of these items could have a material adverse effect on our business. The systems and businesses we acquire in the future may not achieve anticipated revenue, return on equity or profitability, or other perceived synergies, and any difficulties we encounter in the integration process could interfere with our operations, reduce our net income and profitability or adversely affect our internal control over financial reporting.

Our Regulated Businesses are subject to condemnation and other proceedings through eminent domain or other similar authorized process, which could materially and adversely affect their results of operations and financial condition.

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. A municipality, other government subdivision or a citizen group may seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition.

For example, in November 2018, Monterey, California ballot Measure J, which was added by a citizens group, was certified as having been approved by a public vote, requiring the MPWMD to conduct a study and submit a written plan concerning the feasibility of a potential purchase of the Monterey system assets without an additional public vote. The public vote led to the issuance by the MPWMD of (i) a preliminary report finding, among other things, that the acquisition of the Monterey system assets by the MPWMD would be economically feasible, and (ii) a final environmental impact report analyzing the environmental impacts of such an acquisition through the power of eminent domain. See Item 1—Business—Regulated Businesses—Condemnation and Eminent Domain and Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets — Local Area Formation Commission Litigation, which includes additional information regarding these matters.

Furthermore, the law in certain jurisdictions in which our Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if the public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has disallowed recovery in rates of losses incurred by these utilities as a result of such lawsuits.

Contesting an exercise of condemnation, eminent domain or other similar process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management. Moreover, our efforts to resist the condemnation, eminent domain or other process may not be successful, which may require us to sell the operations at issue in a condemnation proceeding or to pay a private property owner compensation for the property damage suffered. If a municipality or other government subdivision succeeds in acquiring the assets of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant charges. Any of these outcomes may have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

We may be subject to physical and cyber attacks.

As operators of critical infrastructure, we may face a heightened risk of physical and cyber attacks from internal or external sources. Our water and wastewater systems may be vulnerable to disability or failures as a result of physical or cyber attacks, acts of

war or terrorism, vandalism or other causes. Our operational and technology systems throughout our businesses may be vulnerable to unauthorized external or internal access, due to hacking, viruses, acts of violence, war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our sensitive information, could also be targets of cyber attacks and unauthorized access to their operational or technology systems. While we have instituted safeguards to protect our operational and technology systems, those safeguards may not always be effective due to the evolving nature of cyber attacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful in the event of a cyber attack.

If, despite our security measures, a significant physical attack or cyber breach occurred, our operations could be disrupted, property damaged, and customer and other confidential information lost or stolen; we could experience substantial loss of revenues, response costs and other financial loss; we could suffer a loss of management time, attention and resources from our regular business operations; we may be subject to increased regulatory requirements; and we may experience litigation and damage to our reputation, any of which could have a negative impact on our business, results of operations and cash flows. Experiencing a physical or cyber security incident could also cause us to be non-compliant with applicable laws and regulations or contracts that require us to report cybersecurity incidents or breaches or securely maintain confidential data, causing us to incur costs related to legal claims or proceedings and regulatory fines or penalties. These types of events, either impacting our facilities or the industry in general, could also cause us to incur additional security and insurance related costs. In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that have been and will continue to be targets of cyber attacks. Any theft, loss or fraudulent use of customer, employee or proprietary data as a result of a cyber attack on us or a vendor could also subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

We have obtained insurance to provide coverage for a portion of the losses and damages that may result from a physical attack, cyber attack or a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss or damage caused by an attack or a breach. Furthermore, the market for cybersecurity insurance is relatively new and coverage available for cybersecurity events will likely evolve as the industry matures. In the future, adequate insurance may not be available at rates that we believe are reasonable, and the costs of responding to and recovering from a physical attack, cyber attack or security breach incident may not be covered by insurance or recoverable in rates.

Our business is subject to complex and evolving federal, state and local laws and regulations regarding consumer privacy and the protection or transfer of data relating to individuals, which could result in, among other things, public disclosure of incidents, private or governmental claims or litigation against us, changes to our business practices, monetary penalties, reputational harm and increased cost of operations.

Laws and regulations are changing and increasing rapidly with respect to data and consumer privacy, security and protection. We are subject to an increasing number of complex and continually evolving data and consumer privacy, security and protection laws and regulations administered by various federal, state and local governments, including, for example, the California Consumer Privacy Act of 2018, together with its amendments and implementing regulations, the Virginia Consumer Data Protection Act and the Cyber Incident Reporting for Critical Infrastructure Act of 2022. New laws and regulations may require us to disclose incidents to authorities, regulators and/or the public, when we otherwise may not have been required to disclose such incidents under previous laws and regulations, and such disclosures could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Federal and state governments have also adopted or are proposing other limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information. In addition, the Federal Trade Commission and state attorneys general are applying federal and state consumer protection laws to impose standards on the collection, use and dissemination of data. Moreover, we expect that current laws, regulations and industry standards concerning privacy, data protection and information security in the United States will continue to evolve and increase, and we cannot determine the impact that compliance with such future laws, regulations or standards will have on us or on our business. Any failure or perceived failure by us to comply with current or future federal, state, or local data or consumer privacy or security laws, regulations, policies, guidance, industry standards, or legal obligations, or any incident resulting in unauthorized access to, or the acquisition, release, or transfer of, personally identifiable information or other data relating to our customers, employees and others, may result in private or governmental enforcement actions, litigation or other claims against us, fines and penalties, or adverse perception or publicity about us and our businesses, which could have a material adverse effect on our reputation and business and could result in us incurring substantial costs. These events could also require us to change our business practices, and the events or such changes may result in significant diversions of resources, distract management and divert the focus and attention of our security and technical personnel from other critical activities. Any of the foregoing consequences could have a material adverse effect on our business, financial

condition, results of operations, cash flows and liquidity.

We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

We maintain insurance coverage, some of which may be self-insured, as part of our overall legal and risk management strategy to minimize potential liabilities arising from our Regulated Businesses, as well as the operations of MSG and CSG. Our insurance programs have varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker's compensation, employer's liability, general liability, cybersecurity, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage, or for which we are self-insured and must therefore utilize our own financial resources to cover such losses. Although in the past we have been generally able to obtain insurance coverage related to our business, there can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

We rely on technology to facilitate the management of our business as well as our customer and supplier relationships, and a failure or disruption of implemented technology could materially and adversely affect our business.

Technology is an integral part of our business and operations, and any failure or disruption of the technology or related systems we implement could significantly limit our ability to manage and operate our business effectively and efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. We use technology systems to, among other things, bill customers, process orders, provide customer service, manage certain plant operations and construction projects, create and manage our financial records and other operational data, track assets, remotely monitor our plants and facilities, and manage human resources, supply chain, inventory, and accounts receivable collections. As a specific example, we depend on water meters to record and communicate the amount of water our customers use, which information in turn is used to generate customer bills, and in recent years, we have experienced greater than expected performance failures with certain water meters used in the Regulated Businesses. When failures occur, we work with meter manufacturers to determine and address the cause of such failures. While these and other failures that we have experienced have not to date had a material adverse effect on our operations, there can be no assurance that efforts to address performance failures or other issues we may experience with water meters or other implemented technology will be successful in the future and that these or future failures of water meters or other technological issues will not have a material adverse effect on us.

Although we do not believe that the technology we have implemented or may in the future implement is at a materially greater risk of failure than that used by other similar organizations, our technology and operations that use or rely on technology remain vulnerable to damage or interruption from, among other things: failure or interruption of the technology or its related systems; loss or failure of power, internet, telecommunications or data network systems; and operator error or improper operation by, the negligent or improper supervision of, or the intentional acts of, employees, contractors and other third parties. Any or all of these events could have a material adverse impact on our business, results of operations, financial condition and cash flows.

An inability to successfully develop and implement new technologies poses substantial risks to our business and operational excellence strategies, which could have a material adverse effect on our business and financial results.

A significant part of our long-term strategic plan focuses on safety, operational excellence, cost and expense efficiency (including O&M expense efficiency), water quality and affordability, asset and capital management and the customer experience. For example, we have made and plan to continue to make significant investments in developing, deploying, integrating and maintaining customer-facing technologies, applications to support field service and customer service operations, water source sensor and evaluation technologies, meter data management and analytics, and intelligent automation technologies. There can be no assurance that we will be successful in designing, developing, deploying, integrating or maintaining these new technologies. Because these efforts can be long-term in nature, these new technologies may be more costly or time-consuming than expected to design, develop, integrate and complete and may not ultimately deliver the expected or desired benefits upon completion. While we have and will continue to seek to recover costs and earn a return on capital expenditures with respect to the costs and expenses of development and deployment of these new technologies in our Regulated Businesses, there can be no assurance that we will be able to do so in every instance or at all, and our inability to do so may adversely affect our ability to achieve intended cost and expense, including O&M expense, efficiencies or other key performance results and, ultimately, could materially and adversely impact our business, financial condition, results of operations and cash flows.

Our inability to efficiently upgrade and improve our operational and technology systems, or implement new systems, could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. We continue to implement technology to improve our business processes and customer interactions, and have installed new, and upgraded existing, technology

systems. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

Disruptions in our supply chain related to goods, such as pipe, chemicals, power and other fuel, equipment, water and other raw materials, and services, could adversely impact our operations and our ability to serve our customers, as well as our financial results.

Our ability to serve our customers and operate our business in compliance with regulatory requirements is dependent upon purchasing or securing necessary goods and services from our suppliers and vendors. These items include but are not limited to contracted services, chemicals, pipe, valves, hydrants, fittings, equipment (including personal protective equipment), water, and power and other fuel. Examples of supply chain disruptions include reduced quantities of goods available in the marketplace, delays in manufacturing or shipping goods, labor shortages at our suppliers or vendors, natural or other disasters and operational impacts to some of our suppliers or vendors. Disruptions in our supply chain related to goods and services have occurred and we anticipate will continue to occur into the foreseeable future. For example, a recent fire at a plant owned by the sole supplier of permanganate in the Western Hemisphere has severely limited the U.S. supply of potassium and sodium permanganate, two chemicals used by water utilities to treat water. The Company is seeking to utilize alternative methods of treatment and to manage its existing supplies of permanganate, but any inability to source sufficient quantities of these chemicals or utilize alternative chemicals may have a material adverse effect on the Company's ability to comply with applicable environmental and regulatory requirements.

Supply chain disruptions may cause us to be unable to purchase or otherwise obtain needed goods or services at a reasonable price or at all, and may significantly increase the price of goods and services we may obtain from suppliers and vendors. This, in turn, may adversely impact our operations and our ability to serve our customers in compliance with regulatory requirements, as well as our associated results of operations, cash flows and financial condition. While we attempt to plan for and have contingencies in place to address supply chain disruptions, our mitigation efforts may not be successful or may have further negative impacts on us.

Our business has inherently dangerous work sites. If we fail to maintain safe work sites, we may experience workforce or customer injuries or loss of life, and be exposed to financial losses, including penalties and other liabilities.

Safety is a core value and a strategy at American Water. Our safety performance and progress to our ultimate desired goal of zero injuries are critical to our ability to carry out our operations effectively and to serve our customers, and thereby, to support our reputation. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public. Eliminating all hazards all of the time is extremely challenging, but through strict adherence to our health and safety practices, and empowering employees to be safety leaders who are instructed to and expected to stop work if deemed "unsafe," we believe we can achieve an injury-free workplace.

At our business sites, including construction and maintenance sites, our employees, contractors and others are often in close proximity to large mechanical operating equipment, moving vehicles, pressurized water, electric and gas utility lines, below grade trenches and vaults, electrical and pneumatic hazards, fall from height hazards, suspended loads, hazardous chemicals and other regulated materials. On many sites, we are responsible for safety and, accordingly, must implement important safety procedures and practices above governmental regulatory requirements. As an essential business that provides water and wastewater services, we are focused on the health and safety of our employees, contractors, vendors, customers and others who work at or visit our worksites. If the procedures we implement are ineffective or are not followed by our employees or others, or we fail to implement procedures, our employees, contractors and others may experience illness, or minor, serious or fatal injuries. Unsafe work sites have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the delivery, handling, storage, use and disposal of hazardous chemicals, which, if improperly delivered, handled, stored, used or disposed of, could result in serious injury, death, environmental damage or property damage, and could subject us to penalties or other liabilities. We are also subject to various environmental, transportation and occupational health and safety regulations. Although we maintain functional employee groups whose primary purpose is to implement effective environmental health and safety work procedures and practices throughout our organization, including construction sites and operating facilities, the failure to comply with these regulations or procedures could subject us to liability.

Work stoppages and other labor relations matters could adversely affect our results of operations and the ability to serve our customers.

As of December 31, 2022, approximately 47% of our workforce was represented by unions, and we had 75 collective bargaining agreements in place with 14 different unions representing our unionized employees. These collective bargaining agreements, 18 of which will expire during 2023, are subject to periodic renewal and renegotiation. We may not be able to successfully renew or renegotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations, negatively impact the ability to serve our customers, and result in higher labor costs, which could adversely affect our reputation, financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Financial, Economic and Market-Related Risks

Our indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flows to satisfy our liquidity needs.

As of December 31, 2022, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was $12.4 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;
- exposing us to interest rate risk with respect to the portion of our indebtedness that bears interest at variable rates;
- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations;
- impairing our access to the capital markets for debt and equity;
- requiring that an increasing portion of our cash flows from operations be dedicated to the payment of the principal and interest on our debt, thereby reducing funds available for future operations, dividends on our common stock or capital expenditures;
- limiting our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and
- placing us at a competitive disadvantage compared to those of our competitors that have less debt.

During 2022, we utilized existing sources of liquidity, such as our current cash balances, cash flows from operations and borrowings under our commercial paper program, to meet our short-term liquidity requirements. We believe that existing sources of liquidity will be sufficient to meet our cash requirements for the foreseeable future. In order to meet our capital expenditure and other operational needs, however, we may be required to borrow additional funds under the revolving credit facility. In the event of a sustained market deterioration, we may need to obtain additional sources of liquidity, which would require us to evaluate available alternatives and take appropriate actions. Moreover, additional borrowings may be required to repay or refinance outstanding indebtedness. Debt maturities and sinking fund payments in 2023, 2024 and 2025 will be $281 million, $476 million and $598 million, respectively. We can provide no assurance that we will be able to access the debt or equity capital markets on favorable terms, if at all, to repay or refinance this debt. Moreover, as new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to repay or refinance existing debt on favorable terms.

We have in the past entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly “mark to market” valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

Our ability to pay our expenses and satisfy our debt service obligations depends in significant part on our future performance, which will be affected by the financial, business, economic, competitive, legislative (including tax initiatives and reforms, and other similar legislation or regulation), regulatory and other risk factors described in this section, many of which are beyond our control. If we do not have sufficient cash flows to pay the principal and interest on our outstanding debt, we may be required to refinance all or part of our existing debt, reduce capital investments, sell assets, borrow additional funds or sell additional equity. In addition, if our business does not generate sufficient cash flows from operations, or if we are unable to incur indebtedness sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to changes in our business, which could cause our financial condition, operating results and prospects to be affected materially and adversely.

Our inability to access the debt or equity capital or financial markets or other events could affect our ability to meet our long-term commitments or liquidity needs at reasonable cost, which could adversely affect our financial condition and results of operations.

In addition to cash from operations, during 2022, we relied primarily on a revolving credit facility, which was increased from $2.25 billion to $2.75 billion in October 2022, a commercial paper program, which was increased from $2.10 billion to $2.60 billion in October 2022, and the debt capital markets, to satisfy our liquidity needs. The revolving credit facility currently expires in accordance with its terms in October 2027. Historically, we have regularly used our commercial paper program rather than the revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally could obtain in the commercial paper market. As of December 31, 2022, there were no outstanding borrowings under the revolving credit facility, $1,177 million of commercial paper outstanding and $78 million in outstanding letters of credit. There can be no assurance that we will be able to continue to access this commercial paper program or revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

Our ability to comply with covenants in our revolving credit facility and our other consolidated indebtedness is subject to various risks and uncertainties, including events beyond our control. For example, under the terms of the revolving credit facility, our consolidated debt cannot exceed 70% of our consolidated capitalization, as determined under the terms of the facility. If our equity were to decline or debt were to increase to a level that causes us to exceed this limit, lenders under the facility would be entitled to refuse any further extension of credit and to declare all of the outstanding debt thereunder immediately due and payable. Events that could cause a reduction in equity include, without limitation, a significant write-down of our goodwill. To avoid such a default, a waiver or renegotiation of this covenant would be required, which would likely increase funding costs and could result in additional covenants that would restrict our operational and financing flexibility. Even if we are able to comply with this or other covenants, the limitations on our operational and financial flexibility could harm our business by, among other things, limiting our ability to incur indebtedness or reduce equity in connection with financings or other corporate opportunities that we may believe would be in our best interests or the interests of our shareholders to complete.

In order to meet our capital expenditure needs, we intend to issue a combination of short-term and long-term debt securities and/or additional equity shares of common stock. Disruptions in the debt or equity capital markets or changes in our credit ratings or other events could limit our ability to access capital on terms favorable to us or at all. While the lending banks that participate in the revolving credit facility have to date honored their commitments under those facilities, disruptions in the credit markets, changes in our credit ratings, or deterioration of the banking industry's financial condition could discourage or prevent lenders from meeting their existing lending commitments, extending the terms of such commitments, or agreeing to new commitments. In such a case, we may not be able to access the commercial paper, debt or equity capital markets, or other sources of potential liquidity, in the future on terms acceptable to us or at all. Furthermore, our inability to maintain, renew or replace commitments under our revolving credit facility could materially increase our cost of capital and adversely affect our financial condition, results of operations and liquidity. Short- or long-term disruptions or volatility in the debt or equity capital and credit markets as a result of economic, legislative, political or other uncertainties, including as a result of changes in U.S. tax and other laws, reduced financing alternatives, or failures of significant financial institutions could adversely affect our access to the capital necessary to provide adequate liquidity for our business. Significant volatility or disruptions in the debt or equity capital or credit markets, or financial institution failures, could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include delaying or deferring capital expenditures, reducing or suspending dividend payments, and reducing other discretionary expenditures. Finally, even absent significant volatility or disruptions in the capital markets, there can be no assurance that we will be able to access markets to obtain capital or financing when necessary or desirable and on terms that are reasonable or acceptable to us.

The occurrence of any of these circumstances could expose us to increased interest or other expense, require us to institute cash or liquidity conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity, which may limit or impair our ability to achieve our strategic, business and operational goals and objectives.

Parent company may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds.

Parent company is a holding company and, as such, it has no substantive operations of its own. Substantially all of our consolidated assets are held by subsidiaries. Parent company's ability to meet its financial obligations and to pay dividends on its common stock is primarily dependent on the net income and cash flows of its subsidiaries and their ability to pay upstream dividends or repay indebtedness to parent company. Prior to paying dividends to parent company, our regulated subsidiaries must comply with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations and agreements, and our covenants and other agreements. Our subsidiaries are separate legal entities and have no obligation to pay or upstream dividends to parent company. A failure or inability of any of these subsidiaries to pay such dividends or repay intercompany obligations could have a material adverse impact on our liquidity and parent company's ability to pay dividends on its common stock and meet its other obligations.

We have a significant amount of goodwill and intangible and other assets, and we may be required to record impairments or changes in fair value to these assets, which may negatively affect our financial condition and results of operations.

Our assets as of December 31, 2022 included $1.1 billion of goodwill and $347 million of total assets measured and recorded at fair value on a recurring basis. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, in the past, we have taken significant non-cash charges to operating results for impairments to goodwill or other intangible assets, and have recorded changes in fair value of financial instruments and other assets. We may be required to recognize in the future an impairment of goodwill or a change in fair value of financial instruments or certain other assets due to market conditions, other factors related to our performance or the performance of an acquired business, or other circumstances that may impact the fair value of a financial instrument or the other asset. See Note 18—Fair Value of Financial Information in the Notes to the Consolidated Financial Statements for information on the fair value of financial and other assets. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or other circumstances. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill and changes in fair value of certain of our other assets would result in a charge to income in the period in which the impairment or change occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment or change could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

Market volatility and other conditions may impact the value of benefit plan assets and liabilities, as well as assumptions related to the benefit plans, which may require us to provide significant additional funding.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations and volatility, which may cause investment returns to fall below our projected return rates. A decline in the market value of our pension and postretirement benefit plan assets as of the measurement date or a change in the projection of the future return on plan assets can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. Interest rates have experienced volatility and are subject to potential further adjustments based on the actions of the U.S. Federal Reserve, and others. If interest rates are lower at the current measurement date than the prior measurement date, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in assumptions, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected. In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that the discount rate used in our assumptions is reduced, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

Additional Risks Related to Other Businesses

Parent company provides performance guarantees with respect to certain of the obligations of our Other businesses, including financial guarantees or deposits, which may adversely affect parent company if the guarantees are successfully enforced.

Under the terms of certain agreements under which our Other businesses, primarily MSG, provide water and wastewater services to municipalities and federal governmental entities, parent company provides guarantees of specified performance obligations, including financial guarantees or deposits. In the event these obligations are not performed, the entity holding the guarantees may seek to enforce the performance commitments against parent company or proceed against the deposit. In that event, our financial condition, results of operations, cash flows and liquidity could be adversely affected. At December 31, 2022, we had remaining performance commitments, as measured by remaining contract revenue, totaling approximately $6.9 billion related to MSG's contracts, and this amount is likely to increase if the number of military bases served by MSG increases. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

MSG's operations are subject to various risks associated with doing business with the U.S. government.

MSG enters into contracts with the U.S. government for the operation and maintenance of water and wastewater systems, which contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In addition, the contract price for each of these military contracts is typically subject to either an annual economic price adjustment, or a price redetermination two years after commencement

of operations and every three years thereafter. Annual economic price adjustment is an inflation index-based contract price increase mechanism. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and market conditions. Any early contract termination or unfavorable annual economic price adjustment or price redetermination could adversely affect our financial condition, results of operations and cash flows. Moreover, entering into contracts with the U.S. government subjects us to a number of operational and compliance risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. We are subject to potential government investigations of our business practices and compliance with government procurement and security regulations, which are complex, and compliance with these regulations can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended or debarred from bidding on or receiving awards of new contracts with the U.S. government or our existing contracts could be terminated, which could have a material adverse effect on our results of operations and cash flows.

General Risk Factors

New accounting standards or changes to existing accounting standards could materially impact how we report our results of operations, cash flows and financial condition.

Our Consolidated Financial Statements are prepared in accordance with GAAP. The SEC, the Financial Accounting Standards Board or other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies or critical accounting estimates. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flows and financial condition. We could be required to apply a new or revised standard retroactively, which could also adversely affect our previously reported results of operations, cash flows and financial condition.

Undetected errors in internal controls and information reporting could result in the disallowance of cost recovery and noncompliant disclosure.

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP, taxation requirements, federal securities laws and regulations and other laws and regulations applicable to us. We have also implemented corporate governance, internal control and accounting policies and procedures in connection with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and relevant SEC rules, as well as other applicable regulations. Such internal controls and policies have been and continue to be closely monitored by our management and Board of Directors to ensure continued compliance with these laws, rules and regulations. Management is also responsible for establishing and maintaining internal control over financial reporting and is required to assess annually the effectiveness of these controls. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated or unauthorized actions of employees or temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to undetected errors that could result in the disallowance of cost recovery and non-compliant disclosure and reporting. The consequences of these events could have a negative impact on our results of operations, cash flows and financial condition. The inability of management to certify as to the effectiveness of these controls due to the identification of one or more material weaknesses in these controls could also harm our reputation, increase financing costs or adversely affect our ability to access the capital markets.

Our continued success is dependent upon our ability to attract, hire and retain highly qualified, skilled and/or diverse talent.

The success of our business is dependent upon our ability to attract, hire and retain highly qualified, skilled and/or diverse talent, including engineers, licensed operators, water quality and management professionals who have the desired experience and expertise. Similar to other organizations, the Company may have challenges implementing its human capital management and employee succession plans to attract and retain such talent based on a number of factors including, among others, market conditions, retirements and geography. If we are unable to meet these human capital resource challenges, our business, financial condition, results of operations and cash flows may be materially and adversely impacted.

Our business may be adversely affected by the intentional misconduct of our employees and contractors.

Our Code of Ethics requires employees and contractors to make decisions ethically and in compliance with applicable law and regulatory requirements, and our Code of Ethics and its underlying policies, practices and procedures. All employees are required to complete training on and review the Code of Ethics on an annual basis, and violations of the Code of Ethics could result in disciplinary actions up to, and including, termination. Despite these efforts to prevent misconduct, it is possible for employees or contractors to engage in intentional misconduct and violate laws and regulations through, among other things, theft, fraud, misappropriation, bribery, corruption and engaging in conflicts of interest or related person transactions, or otherwise committing serious breaches of our Code of Ethics and our policies, practices and procedures. Intentional misconduct by employees or contractors could result in substantial liability, higher costs, increased regulatory scrutiny and significant reputational harm, any of which could have a material adverse effect on our financial condition, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's properties consist primarily of (i) water and wastewater treatment plants, (ii) mains and pipes used for transmission, distribution and collection of water and wastewater, (iii) wells and other sources of water supply, such as reservoirs, (iv) water and wastewater pumping stations, (v) meters and fire hydrants, (vi) general structures, including buildings, dams and treated water storage facilities, (vii) land and easements, (viii) vehicles, (ix) software rights, and (x) other equipment and facilities, the majority of which are used directly in the operation of its systems. Substantially all of the Company's properties are owned by its subsidiaries, with a large percentage subject to liens of its mortgage bonds. A wholly owned subsidiary of parent company owns the Company's corporate headquarters, located in Camden, New Jersey, and the Company and its operating subsidiaries lease office space, equipment and furniture from certain of the Company's wholly owned subsidiaries. These properties are utilized by the Company's directors, officers and staff in the conduct of the business.

The properties of the Company's Regulated Businesses consist mainly of approximately:

- 80 surface water treatment plants;
- 490 groundwater treatment plants;
- 175 wastewater treatment plants;
- 53,500 miles of transmission, distribution and collection mains and pipes;
- 1,100 groundwater wells;
- 1,700 water and wastewater pumping stations;
- 1,100 treated water storage facilities; and
- 73 dams.

The Company has ongoing infrastructure renewal programs in all states in which its Regulated Businesses operate. These programs consist of both the rehabilitation of existing mains and equipment, and the replacement of mains and equipment that have been damaged or have reached, or are near, the end of their useful service lives. The properties within Other consist mainly of office furniture and IT equipment. Approximately 51% of all properties that the Company owns are located in New Jersey and Pennsylvania.

The Company maintains property insurance against loss or damage to its properties by fire or other perils, subject to certain exceptions. For insured losses, the Company is self-insured to the extent that any losses are within the policy deductible or exceed the amount of insurance maintained.

The Company believes that its properties are generally maintained in good operating condition and in accordance with current standards of good water and wastewater industry practice.

ITEM 3. LEGAL PROCEEDINGS

Set forth below is information related to the Company's material pending legal proceedings as of February 15, 2023, other than ordinary routine litigation incidental to the business, required to be disclosed in this Annual Report on Form 10-K. The information below should be read together with Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more**.**

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with SWRCB Orders to Reduce Carmel River Diversions

Under the 2009 Order, Cal Am is required, among other things, to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. See Item 1—Business—Regulated Businesses—Water Supply and Wastewater Services and Item 1A—Risk Factors. The 2009 Order responded to claims that Cal Am had not sufficiently implemented actions to terminate its unpermitted diversions of water from the Carmel River as required by the 1995 Order issued by the SWRCB. In July 2016, at the request of Cal Am and several Monterey County government agencies, the SWRCB issued the 2016 Order approving a deadline of December 31, 2021 for Cal Am's compliance with the 2009 Order.

The 2009 Order includes a condition prohibiting Cal Am from diverting water from the Carmel River for new service connections or for any increased use of water at existing service addresses resulting from a change in zoning or use. In 2011, the California Public Utilities Commission (the "CPUC") issued a decision directing modifications in Cal Am's tariffs to recognize the moratorium mandated by the 2009 Order, and directing Cal Am to seek written guidance from the SWRCB with respect to any unresolved issues of interpretation or implementation of this condition. In 2012, the Deputy Director of the SWRCB sent a letter to Cal Am providing an interpretation as to the calculation of a baseline to determine increases in use of water at existing service addresses. In March 2018, the MPWMD adopted a resolution directing Cal Am to interpret the baseline in a manner that conflicts with the SWRCB's written interpretation. In May 2018, Cal Am notified the MPWMD and the SWRCB that it intends to seek declaratory relief concerning the conflicting regulatory interpretations under the 2009 Order. In an attempt to resolve these conflicting interpretations prior to seeking judicial intervention, Cal Am has met with the MPWMD and the SWRCB several times. The SWRCB agreed to circulate revisions to its 2012 interpretive letter, which would be subject to a public comment period. Any failure to follow the MPWMD's resolution or the SWRCB's written interpretation, despite these conflicting interpretations, could potentially result in fines, penalties and other actions against Cal Am.

Following issuance by the Coastal Commission in November 2022 of a coastal development permit, as described below, Cal Am continues to work constructively with all appropriate agencies to obtain the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2022, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2023 and future years may be impacted by a number of factors, including without limitation continued drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

Cal Am's ability to move forward on the Water Supply Project is and has been subject to extensive administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to the incurred $50 million in associated costs plus AFUDC, subject to meeting certain criteria.

In 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a CPCN and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, O&M costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $206 million in aggregate costs as of December 31, 2022, related to the Water Supply Project, which includes $51 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and in November 2021, Cal Am filed an application with the CPUC that sought review and approval of the amended and restated water purchase agreement. Cal Am also requested rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This requested amount was in addition to, and consistent in regulatory treatment with, the prior $50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its unanimous 2016 final decision.

On December 5, 2022, the CPUC issued a final decision that authorizes Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately $62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities.

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision. Cal Am is requesting inclusion in the cost cap all infrastructure costs for the GWR Project expansion that were not included in the final decision. Cal Am believes that the December 5, 2022 final decision is contrary to the CPUC's precedent and that obtaining recovery of these infrastructure costs is a key component of the GWR Project expansion and Cal Am's ability to meet the future water supply needs of its customers in Monterey. This application remains pending.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions. See Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements for further discussion.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am's appeal of the City's denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

On October 5, 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

On November 18, 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. Cal Am continues to seek the remaining permits necessary to construct the Water Supply Project.

On December 29, 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency ("GSA"), and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the MPWSP slant wells. Cal Am is named as a real party in interest. This matter remains pending.

Subject to the impact or resolution of this litigation, construction of the desalination plant is expected to begin in 2024 and the desalination plant is estimated to be in-service by the end of 2027.

Desalination Plant Development Permit

The proposed desalination plant for the Water Supply Project is to be located in an unincorporated portion of Monterey County, California, on a site owned by CEMEX, Inc. ("CEMEX"), and requires a combined development permit from Monterey County prior to commencement of construction. In April 2019, Monterey County's Planning Commission voted to approve the permit. In July 2019, the Board of Supervisors heard appeals filed by MCWD and a public advocacy group, at which time it denied the appeals and

approved the permit. In August 2019, MCWD filed a petition in Monterey County Superior Court challenging Monterey County's approval of Cal Am's combined development permit application and seeking injunctive relief to enjoin Monterey County and Cal Am from commencing construction of the desalination plant. In October 2019, after a hearing, the court denied, without prejudice, MCWD's motion for a preliminary injunction, but issued a stay of Monterey County's approval of the combined development permit, precluding commencement of physical construction of the desalination plant, but allowing Cal Am to continue to obtain permits needed for the desalination plant's construction. In January 2021, the court issued its decision granting in part and denying in part MCWD's petition. The court found that Monterey County did not completely comply with all of the requirements necessary to approve the combined development permit and set aside its approval so that Monterey County could come into compliance. The court denied all of MCWD's other claims. The court also lifted its stay on physical construction at the plant site.

In May 2021, Cal Am filed a notice of appeal as to the Monterey County Superior Court's January 2021 decision, seeking to challenge the court's decision on Monterey County's statement of overriding considerations. Monterey County filed a notice of appeal as to the same issue in May 2021. In June 2021, MCWD filed cross-appeals on its claims that had been denied by the court. These appeals remain pending.

Proposed Zoning Changes at CEMEX Site for Slant Wells

In August 2018, the City circulated a public review draft of proposed amendments to its local coastal program and zoning ordinance, and placed the matter for consideration on the Planning Commission's agenda for its September 2018 meeting. The proposed amendments would change zoning at the CEMEX site to open space and restrict future uses, including with respect to Cal Am's planned use of the site for the slant wells for the Water Supply Project. Any change to the City's local coastal program must ultimately be approved by the Coastal Commission. Cal Am, CEMEX and the Coastal Commission each submitted letters opposing the proposed amendments. At its November 2018 meeting, the Planning Commission adopted a resolution recommending that the Marina City Council consider approving the amendments.

In December 2018, the Marina City Council considered the proposed amendments. Cal Am, CEMEX and the Coastal Commission again submitted letters opposing the proposed changes, but the City Council unanimously adopted a resolution amending its local coastal plan and a draft amendment to its zoning ordinance. Changes to the ordinance require a second reading before becoming final, which occurred at the City's December 2018 meeting. The changes to the local coastal plan must be submitted to the Coastal Commission for approval and are not effective until such approval is obtained.

Test Slant Well Permitting

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the Coastal Commission approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. Effective February 28, 2018, test slant well pumping ceased, except for minimal maintenance pumping activities, in accordance with Cal Am's coastal development permits. Because Cal Am may use the test slant well as one of the slant wells for the Water Supply Project, Cal Am sought and obtained from the Coastal Commission permit amendments to allow the test slant well to remain in place and be maintained until February 28, 2024. A required lease obtained from the California State Lands Commission, as amended, expired on December 16, 2022. Cal Am has filed an applications for extension of the State Lands Commission lease. This application remains pending.

Water Supply Project Land Acquisition and Slant Well Site Use

In July 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property owned by CEMEX on which intake wells for the Water Supply Project will be located, to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record. A permanent easement granted by CEMEX to Cal Am was recorded in June 2018 to allow Cal Am access to the property and to construct, operate and maintain the Water Supply Project intake wells. in November 2019, the City notified CEMEX that, based on this permanent easement and Cal Am's proposed use of the site for the intake wells, CEMEX has breached or will soon breach a prior 1996 annexation agreement (to which Cal Am was not a party). The City states that it intends to seek declaratory relief from CEMEX and Cal Am ordering that Cal Am's extraction is limited to 500 acre-feet per year of groundwater, that Cal Am cannot export extracted water out of the basin, and that the permanent easement granted by CEMEX to Cal Am is void. CEMEX has denied the City's claims and requested indemnification from Cal Am under the terms of the permanent easement. Cal Am and CEMEX believe that there is no valid limitation under the annexation agreement on Cal Am's right to pump brackish groundwater and seawater at the site for desalination and use by Cal Am's customers.

In May 2020, the City filed a lawsuit in Monterey County Superior Court, naming Cal Am and CEMEX as defendants, and MCWRA and MCWD as real parties in interest. The lawsuit, as amended, alleges a claim for breach of contract against CEMEX and seeks declaratory relief to void the permanent easement and prohibiting extraction of water by Cal Am's slant wells at the CEMEX

site in excess of 500 acre-feet per year and the export of such water outside the groundwater basin. In November 2020, Cal Am, CEMEX and MCWRA filed demurrers, which were overruled by the court at a hearing held in February 2021.

In August 2020, MCWD filed a cross-complaint in the May 2020 lawsuit against Cal Am, CEMEX and MCWRA, alleging claims for specific performance of certain provisions of the 1996 annexation agreement related to the property owned by CEMEX on which intake wells for the Water Supply Project will be located, as well as claims of water rights, nuisance and unreasonable water use, and seeking additional declaratory relief. Following various rulings on demurrers filed by Cal Am, CEMEX and MCWRA, in February 2021, the court sustained, without leave to amend, the demurrer to MCWD's nuisance claim and overruled the remainder of the demurrers. In October 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion. The SWRCB has scheduled hearings on the referred issues before its Administrative Hearing Officer, which took place in the fourth quarter of 2022 and are set to continue into early 2023. The Monterey County Superior Court has set a trial date of October 23, 2023, for the City's lawsuit.

Challenges Related to Compliance with California's Sustainable Groundwater Management Act

Under California's Sustainable Groundwater Management Act ("SGMA") enacted in 2015, groundwater basins designated by the state as critically overdrafted must be managed by a GSA by 2020 in accordance with an approved groundwater sustainability plan ("GSP") designed to achieve sustainability by 2040. Under the SGMA, GSAs have broad powers to achieve sustainability including, but not limited to, regulating groundwater extraction by imposing fees on groundwater extractions and controlling groundwater extractions by regulating, limiting or suspending extractions from wells. The 400-acre CEMEX site overlies a small portion of the 180/400 Subbasin of the Salinas Valley Groundwater Basin; the 84,000-acre 180/400 Subbasin has been designated by the state as critically overdrafted, mainly due to seawater intrusion into the subbasin.

In late 2016, the Salinas Valley Basin Groundwater Sustainability Agency (the "SVBGSA") was formed as a joint powers authority to become the GSA for the Salinas Valley Groundwater Basin and prepare a GSP. In April 2018, the City filed a notice to become the GSA for the CEMEX site, creating an overlap with the SVBGSA's filing for the 180/400 Subbasin. In 2016, the SVBGSA commenced preparation of a GSP covering the entire 180/400 subbasin, including the CEMEX site, but in August 2019 the City filed a notice that it intends to prepare its own GSP for the CEMEX site with the intent to severely limit or prohibit groundwater pumping at that site. The State Department of Water Resources ("SDWR") has taken the position that until the overlap is resolved, it will not accept the GSP from either agency, placing the subbasin at risk of being placed in a probationary status and subject to state management. In December 2019, the County of Monterey filed its own notice to become the exclusive GSA at the CEMEX site in order to resolve the overlap, which is permitted under SGMA. SDWR accepted Monterey County's filing in December 2019, and now lists Monterey County as the exclusive GSA for the site.

In December 2019, the City filed a lawsuit in Monterey County Superior Court challenging Monterey County's filing, and SDWR's acceptance of the filing, as the exclusive GSA for the CEMEX site. The City has named Monterey County and its Board of Supervisors, its GSA, and SDWR and its director as defendants, and the SVBGSA and its Board of Directors as real parties. The City seeks to invalidate Monterey County's filing, as well as injunctive relief to preserve the City's status as a GSA for the site. To protect its interest in the matter, Cal Am filed an application to intervene in this lawsuit, which was granted. Monterey County filed cross-claims against the City and SDWR. After a hearing, in August 2021, the court denied the claims brought by the City and granted Monterey County's cross-claims, finding that the City's GSA notice was untimely, the Monterey County GSA was the exclusive GSA for the CEMEX site, and the SVBGSA's GSP was properly adopted for the entire 180/400 subbasin, including the CEMEX site. In November 2021, the City appealed this decision, and in December 2021, Monterey County appealed the court's decision as to the finding that the City's action creating a GSA was not void.

In September 2020, Cal Am filed a separate but related complaint in Monterey County Superior Court challenging the validity of actions taken by the City and its GSA in adopting a groundwater sustainability plan for the CEMEX site, and the validity of the provisions of such plan. Due to the overlap of issues in the City's lawsuit with those in the validation action, the parties stipulated to a stay of the validation action pending determination of the claims in the City's action, which was approved by the court in December 2020.

In February 2021, the City filed a separate but related *in rem* reverse validation complaint challenging the adoption by Monterey County of a GSP for the CEMEX site. This complaint remains pending. Currently, both validation actions remain stayed during the pendency of the City's appeals.

Proposed Acquisition of Monterey System Assets — Local Area Formation Commission Litigation

In November 2018, voters in Monterey, California passed "Measure J," which decided that the MPWMD should conduct a feasibility study concerning the potential purchase of Cal Am's Monterey system assets, and, if feasible, to proceed with a purchase of

those assets without an additional public vote. This service territory represents approximately 40,000 customers. See Item 1—Business—Regulated Businesses—Condemnation and Eminent Domain for more information on this matter.

In February 2021, the MPWMD filed an application with LAFCO seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to operate the Monterey system assets, a result that precludes the MPWMD from proceeding with a condemnation thereof. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its denial. On June 17, 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO. On December 13, 2022, the court sustained in part, and denied in part, demurrers that had been filed by LAFCO seeking to dismiss the MPWMD's lawsuit. This matter remains pending.

West Virginia Elk River Freedom Industries Chemical Spill

See Note 16—Commitments and Contingencies—Contingencies—West Virginia Elk River Freedom Industries Chemical Spill in the Notes to Consolidated Financial Statements for information regarding the final court approval of the global settlement with respect to the January 2014 Freedom Industries, Inc. chemical spill.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by West Virginia-American Water Company, the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored on July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. On August 26, 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 5, 2022 order. The Writ Petition has been supported by an amicus brief filed by certain water and utility industry trade groups. On February 9, 2023, the Supreme Court of Appeals accepted the Writ Petition by issuing a Rule to Show Cause and scheduling oral argument for April 26, 2023.

The Company and WVAWC believe that WVAWC has meritorious defenses to the claims raised in this class action complaint and WVAWC will continue to vigorously defend itself against these allegations.

Chattanooga, Tennessee Class Action Litigation

On September 12, 2019, Tennessee-American Water Company, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and Service Company (collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations.

Other Matters

In April 2021, American Water Resources, LLC ("AWR"), which, prior to the December 9, 2021 sale of the Company's former HOS business was one of the indirect, wholly owned subsidiaries comprising that business, received a grand jury subpoena in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY"). The subpoena seeks documents regarding AWR's operations and its contractor network in the New York City metropolitan area. On September 9, 2022, a former employee of AWR pled guilty in U.S. District Court to two felony counts in connection with the matters being investigated by the EDNY. The Company has been fully cooperating with the EDNY investigation and continues to do so, and continues to believe that the investigation is not focused on the Company.

In connection with the sale of the HOS operations (including all of the Company's equity interests in AWR), in December 2021, the Company and AWR entered into an agreement with the buyer of the HOS operations, which facilitates a common defense for, and the sharing of information concerning, the EDNY investigation and any legal or regulatory inquiries or proceedings related to or resulting from it or the subject matter in the subpoena (collectively, the "Covered Matters"). The Company, on behalf of AWR, is required to defend any Covered Matter, using commercially reasonable efforts to resolve it on a reasonably expedient basis. Further, the Company is required to consult with the buyer in specified circumstances and obtain its prior written consent (which consent may not be unreasonably withheld, conditioned or delayed) before entering into any resolution of any Covered Matter that imposes non-monetary provisions or undertakings or any other terms for which there will be no indemnification under this agreement. In addition, until March 9, 2025, the Company is required to indemnify the buyer for any monetary losses or out-of-pocket damages (as described in the agreement) incurred by the buyer or certain of the HOS subsidiaries to the extent directly arising in connection with, or directly resulting from, any Covered Matter.

While it is not possible at this time to predict the outcome of the investigation or determine the amount, if any, of fines, penalties or other liabilities that may be incurred in connection with it, the Company does not currently believe that the investigation will have a material adverse effect on the Company's results of operations, financial condition or liquidity.

General

Periodically, the Company is involved in other proceedings or litigation arising in the ordinary course of business. Other than those proceedings described in this Item 3—Legal Proceedings, the Company does not believe that the ultimate resolution of these matters will materially affect its financial position or results of operations. However, litigation and other proceedings are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is possible that some litigation and other proceedings could be decided unfavorably to the Company, and that any such unfavorable decisions could have a material adverse effect on its business, financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since April 23, 2008, the Company's common stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AWK." As of January 31, 2023, there were 181,858,619 shares of common stock outstanding held by approximately 2,234 record holders. Holders of the Company's common stock are entitled to receive dividends when they are declared by its Board of Directors. See Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information regarding the Company's dividends.

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2022, the Company repurchased an aggregate of 4,860,000 shares of its common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program. There were no repurchases of common stock in 2022.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements," Item 1A—Risk Factors and elsewhere in this Form 10-K. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings. For a discussion and analysis of the Company's financial statements for fiscal 2021 compared to fiscal 2020, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 16, 2022.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company employs approximately 6,500 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company's utilities operate in approximately 1,600 communities in 14 states in the United States, with 3.4 million active customers with services provided by its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by PUCs. The Company also operates other businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-K within "Other." See Item 1—Business for additional information.

Selected Financial Data

This selected financial data below should be read in conjunction with the Company's Consolidated Financial Statements and related Notes in this Annual Report on Form 10-K as well as the remainder of this Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.

	For the Years Ended December 31,				
(In millions, except per share data)	**2022**	**2021**	**2020**	**2019**	**2018**
Statement of Operations data:					
Operating revenues	$ 3,792	$ 3,930	$ 3,777	$ 3,610	$ 3,440
Net income attributable to common shareholders	820	1,263	709	621	567
Net income attributable to common shareholders per basic common share	4.51	6.96	3.91	3.44	3.16
Net income attributable to common shareholders per diluted common share	4.51	6.95	3.91	3.43	3.15
Balance Sheet data:					
Total assets	$ 27,787	$ 26,075	$ 24,766	$ 22,682	$ 21,223
Long-term debt and redeemable preferred stock at redemption value	10,929	10,344	9,333	8,644	7,576
Other data:					
Cash dividends declared per common share	$ 2.62	$ 2.41	$ 2.20	$ 2.00	$ 1.82
Net cash provided by operating activities	1,108	1,441	1,426	1,383	1,386
Net cash used in investing activities	(2,127)	(1,536)	(2,061)	(1,945)	(2,036)
Net cash provided by (used in) financing activities	1,000	(345)	1,120	494	726
Capital expenditures included in net cash used in investing activities	(2,297)	(1,764)	(1,822)	(1,654)	(1,586)

Financial Results

For the years ended December 31, 2022, 2021 and 2020, diluted earnings per share (GAAP) were $4.51, $6.95 and $3.91, respectively. The 2021 financial results included a pre-tax gain of $748 million relating to the sale of HOS and a $45 million pre-tax contribution to the American Water Charitable Foundation, a consolidated net impact of $2.70 diluted earnings per share. After excluding the gain related to the sale of HOS and charitable contribution in 2021, diluted earnings per share increased $0.26 in 2022 as compared to 2021. This increase was primarily driven by continued growth in the Regulated Businesses from infrastructure investment and acquisitions, as well as organic growth, offset somewhat by impacts from inflationary pressures on production costs and higher interest costs along with higher depreciation expenses from the growth of the business. Results for 2022 also reflect the favorable impact of weather, estimated at $0.06 per share, primarily due to hot and dry weather in the third quarter of 2022 as compared to a $0.02 per share favorable impact in 2021. Also, included in the results for 2022 are $0.24 per share from interest income earned on the seller note and income earned on revenue share agreements, which compares to HOS operating results for 2021 of $0.31 per share. Lastly, the operating results for the Company's New York subsidiary, which was sold on January 1, 2022, were $0.12 per share in 2021. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. In 2022, the Company invested $2.6 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses Growth and Optimization

- $2.3 billion capital investment in the Regulated Businesses, the substantial majority for infrastructure improvements and replacements; and
- $315 million to fund acquisitions in the Regulated Businesses, which added approximately 70,000 customers during 2022, in addition to approximately 18,500 customers added through organic growth during 2022. This includes the Company's Pennsylvania subsidiary's acquisition of the wastewater system assets from the York City Sewer Authority and the City of York on May 27, 2022, for a cash purchase price of $235 million, $20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of $232 million in cash, subject to adjustment as provided for in the Asset Purchase Agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in early 2023.

As of December 31, 2022, the Company has entered into agreements for 21 pending acquisitions in the Regulated Businesses, including the two agreements discussed above, to add approximately 32,400 additional customers.

Sale of Homeowner Services Group

On December 9, 2021, the Company sold all of the equity interests in subsidiaries that comprised the Company's HOS to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately $1.275 billion, resulting in pre-tax gain of $748 million during the fourth quarter of 2021. The consideration was comprised of $480 million in cash, a seller promissory note issued by the Buyer in the principal amount of $720 million, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 18—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. For the year ended December 31, 2022, the Company recorded post-close adjustments, primarily related to working capital, of pre-tax income of $20 million, which is included in Gain on sale of businesses on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized $50 million of interest income during the year ended December 31, 2022, from the seller note.

The Company and the Buyer also entered into revenue share agreements, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized $9 million of income during the year ended December 31, 2022, from the revenue share agreements, which is included in Other, net on the Consolidated Statements of Operations. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Sale of Michigan American Water Company

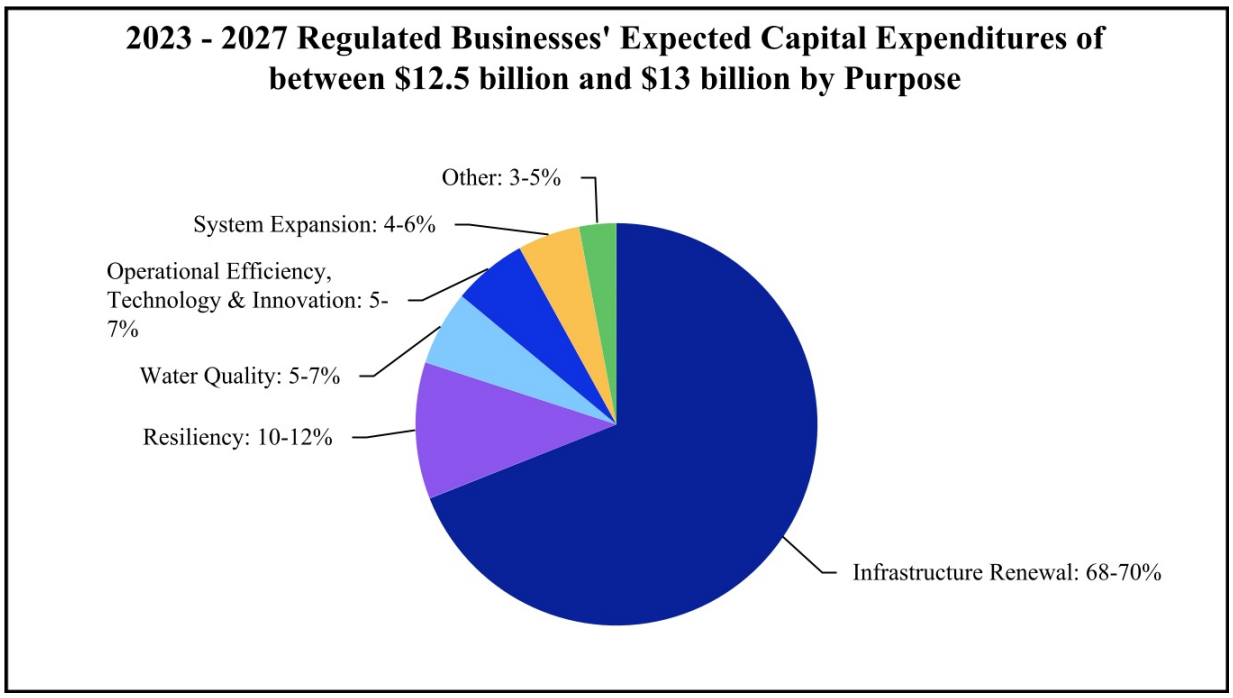
On February 4, 2022, the Company completed the sale of its operations in Michigan for $6 million in cash.

Future Growth

The Company expects to invest between $14 billion to $15 billion over the next five years, and between $30 billion to $34 billion over the next 10 years, including $2.9 billion in 2023. The Company's expected future investments include:

- capital investment for infrastructure improvements in the Regulated Businesses between $12.5 billion to $13 billion over the next five years, and between $27 billion to $30 billion over the next 10 years, including $2.5 billion expected in 2023; and
- growth from acquisitions in the Regulated Businesses to expand the Company's water and wastewater customer base of between $1.5 billion to $2 billion over the next five years, and between $3 billion to $4 billion over the next 10 years, including $400 million expected in 2023.

Presented in the following chart is the estimated allocation of the Company's expected capital investment for infrastructure improvements in its Regulated Businesses over the next five years, by purpose:



Other Matters

Military Services Group

On June 30, 2022, MSG was awarded a contract for the ownership, operation, maintenance and replacement of the wastewater utility system assets at Naval Station Mayport in Jacksonville, Florida. The contract was effective July 1, 2022, and its total revenue is approximately $341 million over a 50-year period, subject to an annual economic price adjustment. The performance start date for operation is scheduled for March 1, 2023. MSG operates and maintains water and/or wastewater systems and related capital programs as part of the U.S. government's Utilities Privatization Program. This contract represents the 18th installation in MSG's footprint and the first contract with respect to a U.S. Navy installation.

Permanganate Supply Disruption

In January 2023, a fire occurred at a plant owned by the sole supplier of permanganate in the Western Hemisphere, which has severely limited the U.S. supply of potassium and sodium permanganate, two chemicals used by water utilities to treat water. The Company is seeking to utilize alternative methods of treatment and to manage its existing supplies of permanganate, but any inability to source sufficient quantities of these chemicals or utilize alternative chemicals may have a material adverse effect on the Company's ability to comply with applicable environmental and regulatory requirements.

Operational Excellence

The Company's adjusted regulated O&M efficiency ratio was 33.7% for the year ended December 31, 2022, compared to 34.1% for the year ended December 31, 2021. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below, as well as the continued focus on operating costs.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Annual Report on Form 10-K.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

	For the Years Ended December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**
Total operation and maintenance expenses	$ 1,589	$ 1,777	$ 1,622
Less:			
Operation and maintenance expenses—Other	244	452	364
Total operation and maintenance expenses—Regulated Businesses	1,345	1,325	1,258
Less:			
Regulated purchased water expenses	154	153	149
Allocation of non-operation and maintenance expenses	31	34	41
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,160	$ 1,138	$ 1,068
Total operating revenues	$ 3,792	$ 3,930	$ 3,777
Less:			
Operating revenues—Other	287	546	522
Total operating revenues—Regulated Businesses	3,505	3,384	3,255
Less:			
Regulated purchased water revenues (a)	154	153	149
Revenue reductions from the amortization of EADIT	(89)	(104)	(7)
Adjusted operating revenues—Regulated Businesses (ii)	$ 3,440	$ 3,335	$ 3,113
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.7 %	34.1 %	34.3 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective during 2022:

(In millions)	Effective Date	Amount
General rate cases by state:		
New Jersey	September 1, 2022	$ 46
Hawaii	July 1, 2022	2
West Virginia	February 25, 2022	13
California, Step Increase	January 1, 2022	9
Pennsylvania, Step Increase	January 1, 2022	20
Total general rate case authorizations		$ 90

Presented in the table below are annualized incremental revenues, including reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective on or after January 1, 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Pennsylvania	January 28, 2023	$ 138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 218

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues excluding previously recovered infrastructure surcharges, effective January 1, 2023, based on an authorized return on equity of 9.8%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement of the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a $138 million annualized increase in water and wastewater revenues and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The rate case proceeding was resolved through a "black box" settlement agreement and did not specify an approved return on equity ("ROE"). The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Company's Pennsylvania subsidiary's COVID-19 deferral balance.

On August 17, 2022, the Company's New Jersey subsidiary was authorized additional annual revenues of $46 million in its general rate case, effective September 1, 2022, based on an authorized return on equity of 9.6%, authorized rate base of $4.15 billion, a common equity ratio of 54.6% and a long-term debt ratio of 45.4%. The request incorporated updated estimates of production costs, including chemicals, fuel and power costs. Beginning January 1, 2023, the Company's New Jersey subsidiary will defer as a regulatory asset or liability, as appropriate, the difference between its pension expense and other postretirement benefits expense and those amounts included in base rates. The deferral period for this regulatory asset or liability will be two years or, if earlier, will end at the conclusion of the Company's New Jersey subsidiary's next general rate case. The Company's New Jersey subsidiary also withdrew its request, without prejudice, to recover its existing authorized COVID-19-related regulatory asset in the general rate case and will seek recovery in a separate proceeding within the process established in the New Jersey Board of Public Utilities' (the "NJBPU") generic COVID-19-related proceeding.

On February 24, 2022, WVAWC was authorized additional annual revenues of $13 million in its general rate case, effective February 25, 2022, based on an authorized return on equity of 9.8%, authorized rate base of $734 million and a common equity ratio of 47.9%. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. WVAWC filed its response to the Staff's Petition for Reconsideration on March 28, 2022, in support of the authorized revenue requirement. On October 21, 2022, the Public Service Commission of West Virginia denied the motion for reconsideration.

Pending General Rate Case Filings

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, with all increases compared against 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised requested additional annualized revenues for the test year 2024 is now $37 million, compared against 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million.

On July 1, 2022, the Company's Missouri subsidiary filed a general rate case requesting $105 million in additional annualized revenues.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting $14 million in additional annualized revenues. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates is subject to refund. On September 26, 2022, a settlement agreement, supported by all parties except one, was filed with the Virginia State Corporation Commission for a $11 million annual revenue increase. Public hearings were held on September 27 and 28, 2022. A final decision on this matter is expected in the first quarter of 2023.

The Company's California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the first quarter of 2023.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2022:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	(a)	$ 11
Pennsylvania	(b)	19
Missouri	(c)	30
Tennessee	August 8, 2022	3
Kentucky	July 1, 2022	3
Indiana	March 21, 2022	8
West Virginia	March 1, 2022	3
Illinois	January 1, 2022	6
Total infrastructure surcharge authorizations		$ 83

(a) In 2022, $1 million was effective December 30 and $10 million was effective June 27.

(b) In 2022, $8 million was effective on October 1, $9 million was effective July 1 and $2 million was effective April 1.

(c) In 2022, $18 million was effective August 11 and $12 million was effective February 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	January 16, 2023	$ 15
West Virginia	January 1, 2023	7
Pennsylvania	January 1, 2023	3
Total infrastructure surcharge filings		$ 25

Pending Infrastructure Surcharge Filings

On January 20, 2023, the Company's Indiana subsidiary filed an infrastructure surcharge proceeding requesting $21 million in additional annualized revenue

On November 18, 2022, the Company's Indiana subsidiary filed an infrastructure surcharge proceeding requesting $7 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company's California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Operating revenues	$ 3,792	$ 3,930	$ 3,777
Operating expenses:			
Operation and maintenance	1,589	1,777	1,622
Depreciation and amortization	649	636	604
General taxes	281	321	303
Total operating expenses, net	2,519	2,734	2,529
Operating income	1,273	1,196	1,248
Other income (expense):			
Interest expense	(433)	(403)	(397)
Interest income	52	4	2
Non-operating benefit costs, net	77	78	49
Gain on sale of businesses	19	747	—
Other, net	20	18	22
Total other income (expense)	(265)	444	(324)
Income before income taxes	1,008	1,640	924
Provision for income taxes	188	377	215
Net income attributable to common shareholders	$ 820	$ 1,263	$ 709

Segment Results of Operations

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. Other primarily includes MSG, which does not meet the criteria of a reportable segment in accordance with GAAP. Other also includes corporate costs that are not allocated to the Regulated Businesses segment, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. This presentation is consistent with how management assesses the results of these businesses. For a discussion and analysis of the Company's financial statements for fiscal 2021 compared to fiscal 2020, please refer to Item 7 —Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 16, 2022.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as Other. Segment results for the year ended December 31, 2021, have been adjusted retrospectively to reflect this change.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Operating revenues	$ 3,505	$ 3,384	$ 3,255
Operation and maintenance	1,345	1,325	1,258
Depreciation and amortization	633	601	562
General taxes	264	301	285
Other operating expenses	—	1	(3)
Other income (expense)	(220)	(195)	(221)
Income before income taxes	1,042	962	932
Provision for income taxes	188	172	217
Net income attributable to common shareholders	$ 854	$ 789	$ 715

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Water services:			
Residential	$ 1,941	$ 1,935	$ 1,895
Commercial	710	676	627
Fire service	147	151	147
Industrial	153	141	133
Public and other	267	239	226
Total water services	3,218	3,142	3,028
Wastewater services:			
Residential	174	151	134
Commercial	45	37	34
Industrial	4	4	3
Public and other	19	16	14
Total wastewater services	242	208	185
Other (a)	45	34	42
Total operating revenues	$ 3,505	$ 3,384	$ 3,255

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(Gallons in millions)	For the Years Ended December 31, 2022	2021	2020
Billed water services volumes:			
Residential	162,105	173,644	178,753
Commercial	77,627	77,476	75,875
Industrial	37,265	35,738	34,875
Fire service, public and other	51,966	51,957	49,031
Total billed water services volumes	328,963	338,815	338,534

Included in operating revenues for 2021, was $127 million related to the Company's New York operations. Excluding the Company's New York operations, for 2022, operating revenues increased $248 million, primarily due to: (i) a $180 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) a $36 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; (iii) a $17 million net increase as a result of reduced amortization of EADIT, primarily in the Company's New Jersey subsidiary; and (iv) a $13 million estimated net increase primarily due to warmer and drier than normal weather in the third quarter of 2022 in the Company's New Jersey and Missouri service territories, which was partially offset by warmer and drier than normal weather in the second quarter of 2021 in the Northeast.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

(In millions)	For the Years Ended December 31, 2022	2021	2020
Employee-related costs	$ 505	$ 522	$ 495
Production costs	387	353	335
Operating supplies and services	242	245	242
Maintenance materials and supplies	96	93	84
Customer billing and accounting	59	66	58
Other	56	46	44
Total	$ 1,345	$ 1,325	$ 1,258

Employee-Related Costs

(In millions)	For the Years Ended December 31, 2022	2021	2020
Salaries and wages	$ 395	$ 402	$ 382
Group insurance	59	66	65
Pensions	21	25	20
Other benefits	30	29	28
Total	$ 505	$ 522	$ 495

Included in employee-related costs for 2021, was $16 million related to the Company's New York operations. After excluding the Company's New York operations, for 2022, employee-related costs remained consistent compared to 2021. In 2022, the Regulated Businesses experienced an increase in salaries and wages due to merit increases and higher headcount to support growth, which was offset by higher capitalized labor and overhead rates, as well as lower pension service costs.

Production Costs

(In millions)	For the Years Ended December 31, 2022	2021	2020
Purchased water	$ 154	$ 153	$ 149
Fuel and power	104	97	88
Chemicals	78	59	57
Waste disposal	51	44	41
Total	$ 387	$ 353	$ 335

Included in production costs for 2021, was $8 million related to the Company's New York operations. Excluding the Company's New York operations, for 2022, production costs increased $42 million, primarily due to inflationary pressures which resulted in increased fuel, power and chemical costs.

Customer Billing and Accounting

In 2022, as compared to 2021, customer billing and accounting decreased $7 million primarily due to the sale of the Company's New York operations and lower uncollectible customer accounts expense.

Other

In 2022, as compared to 2021, other increased $10 million primarily due to increase to the insurance other than group reserve which had an unfavorable claims experience compared to prior year.

Depreciation and Amortization

In 2022, as compared to 2021, depreciation and amortization increased $32 million primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

In 2022, as compared to 2021, general taxes decreased $37 million, primarily related to the sale of the Company's New York operations.

Other Income (Expense)

In 2022, as compared to 2021, other expenses increased $25 million primarily due to higher interest expense as a result of an $800 million long-term debt issuance in May 2022 and higher interest rates on short-term debt due to macroeconomic market conditions.

Provision for Income Taxes

In 2022, as compared to 2021, the Regulated Businesses' provision for income taxes increased $16 million. The Regulated Businesses' effective income tax rate was 18.0% and 17.9% for the years ended December 31, 2022 and 2021, respectively. The increase was primarily due to the decrease in the amortization of EADIT due to the completion of stub period amortization, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Other

Presented in the table below is information for Other:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Operating revenues	$ 287	$ 546	$ 522
Operation and maintenance	244	452	364
Depreciation and amortization	16	35	42
Gain on sale of businesses	19	748	3
Income before income taxes	(34)	678	(8)
Provision for income taxes	—	205	(2)
Net (loss) income attributable to common shareholders	$ (34)	$ 474	$ (6)

Operating Revenues

In 2022, operating revenues decreased $259 million primarily due to the sale of HOS, which had operating revenues of $293 million in 2021. Excluding the Company's HOS operations, for 2022, operating revenues increased $34 million, largely driven by an increase in capital and O&M projects in MSG, primarily at Joint Base Lewis-McChord and the United States Military Academy at West Point, New York.

Operation and Maintenance

Presented in the table below is information regarding the main components of Other's operating and maintenance expense:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Operating supplies and services	$ 120	$ 191	$ 118
Maintenance materials and supplies	35	123	114
Employee-related costs	73	109	111
Production costs	10	7	6
Other	6	22	15
Total	$ 244	$ 452	$ 364

Operating Supplies and Services

Included in operating supplies and services for 2021, was $39 million related to the Company's HOS operations and a $45 million pre-tax contribution to the AWCF. Excluding the Company's HOS operations and AWCF contribution, for 2022, operating supplies and services increased $13 million, primarily driven by costs associated with increased capital and O&M projects in MSG, as discussed above.

Maintenance Materials and Supplies

Included in maintenance materials and supplies for 2021, was $96 million related to the Company's HOS operations. Excluding the Company's HOS operations, for 2022, operating supplies and services increased $8 million, primarily due to an increase in CSG costs related to contract with the City of Camden, New Jersey.

Employee-Related Costs

In 2022, as compared to 2021, employee-related costs decreased $36 million primarily due to the sale of HOS.

Depreciation and Amortization

In 2022, as compared to 2021, depreciation and amortization decreased $19 million primarily due to the sale of HOS.

Gain on Sale of Businesses

During the fourth quarter of 2021, the Company recognized a pre-tax gain of $748 million relating to the sale of HOS. In 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of $20 million, which increased the total gain related to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Provision for Income Taxes

In 2022, as compared to 2021, provision for income taxes decreased $205 million primarily due to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Tax Matters

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (the "IRA"). The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to AFSI when determining CAMT under the new law. Initial guidance regarding the application of the CAMT was issued on December 27, 2022, and additional guidance is forthcoming. The Company is continuing to assess the impact of the initial guidance and will continue to monitor as additional guidance is released.

On July 8, 2022, Pennsylvania Governor Tom Wolf signed into law Act 53 of 2022, which reduces the Pennsylvania State Income Tax Rate in yearly increments starting January 1, 2023, with an initial rate of 8.99% and ending effective January 1, 2031, with a rate of 4.99%. Under Accounting Standards Codification Topic 740, Income Taxes ("ASC 740"), the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. As such, the Company's accumulated deferred income tax ("ADIT") balances for its Pennsylvania subsidiary were remeasured during the quarter ended September 30, 2022, to estimate the impacts of the recently enacted tax rate. The remeasurement reduced the ADIT liability by $159 million as of December 31, 2022 and created a corresponding regulatory liability since the EADIT is expected to be returned to customers in a future rate case. However, since the rate is declining in yearly increments, the total EADIT will be subject to change.

On September 27, 2022, Iowa's Department of Revenue announced a reduction in the state's top corporate rate from 9.8% to 8.4% effective January 1, 2023. As such, the Company's ADIT balances for its Iowa subsidiary were remeasured during the quarter ended September 30, 2022, to estimate the impacts of the recently enacted tax rate. The remeasurement reduced the ADIT liability by $2 million as of December 31, 2022 and created a corresponding regulatory liability since the EADIT is expected to be returned to customers in a future rate case.

Federal Net Operating Loss

The Company had no federal NOL carryover balance as of December 31, 2021.

Legislative Updates

During 2022, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of February 15, 2023:

- Indiana passed Senate Enrolled Act 272, which requires public reporting of a non-jurisdictional utility's asset management programs. Non-jurisdictional utilities are exempt from the jurisdiction of the Indiana Utility Regulatory Commission (the "IURC"). The legislation also creates a water and wastewater research and extension program at a state university to serve as a repository for data collected from utilities. Additionally, the legislation establishes oversight and a receivership program in the IURC for non-jurisdictional utilities with violations that create environmental or human health and safety issues. Legislation was signed by the Governor on March 7, 2022, and became effective on July 1, 2022.
- Indiana passed water and wastewater utility asset financing legislation, Senate Enrolled Act 273, which authorizes the recovery of property tax in Distribution System Improvement Charge filings. The legislation also permits the IURC to allow recovery through tracking mechanisms for changes in property tax and for costs attributable to referenda or action by elected or appointed individuals. Legislation was signed by the Governor on March 10, 2022, and became effective on July 1, 2022.

- Virginia passed Senate Bill 500 and House Bill 182, which requires the Virginia State Corporation Commission, in any future ratemaking proceeding for an investor-owned water/wastewater utility, to evaluate the utility on a stand-alone basis and utilize the utility's actual end-of-test period capital structure and cost of capital without regard to the cost of capital, capital structure, or investments of any other entities with which the utility may be affiliated. Legislation was signed by the Governor on April 11, 2022, and became effective on July 1, 2022.
- Illinois passed House Bill 900/Public Act 102-0698, which contains appropriations to the Department of Commerce and Economic Opportunity of $3 million for the purposes of the Water and Sewer Finance Assistance Act (H.B. 414/Public Act 102-0262) and $55 million for the purposes of the federal Low-Income Household Water Assistance Program (LIHWAP). Legislation was signed by the Governor on April 19, 2022, with these provisions of the bill taking effect on July 1, 2022.
- Tennessee passed Senate Bill 2282 and House Bill 2346, which requires all utilities to implement a cyber security plan and update it every two years to provide for the protection of the utility's facilities from unauthorized use, alteration, ransom, or destruction of electronic data. The relevant regulatory body will verify if a utility has complied or impose reasonable sanctions if out of compliance. Utility compliance will be required by July 1, 2023. Legislation was signed by the Governor on June 1, 2022, and became effective immediately.
- The Missouri General Assembly passed state and local property tax tracker legislation, Senate Bill 745, which requires a utility to defer to a regulatory asset or liability account any difference in what was actually paid in state or local property taxes and what was used to set the revenue requirement in the utility's most recently completed general rate case. Legislation was signed by the Governor on June 29, 2022, and became effective on August 28, 2022.
- California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022 and became effective on January 1, 2023.

Liquidity and Capital Resources

The Company uses its capital resources, including cash, primarily to (i) fund operating and capital requirements, (ii) pay interest and meet debt maturities, (iii) pay dividends, (iv) fund acquisitions, (v) fund pension and postretirement benefit obligations, and (vi) to pay federal income taxes. The Company invests a significant amount of cash on regulated capital projects where it expects to earn a long-term return on investment. Additionally, the Company operates in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—Regulation and Rate Making for additional information. The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of a seller promissory note, plus interest, and a contingent cash payment payable upon satisfaction of certain conditions on or before December 31, 2023. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company regularly evaluates and monitors its cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. The Company's business is capital intensive, with a majority of this capital funded by cash flows from operations. The Company also obtains funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings, and may also access the equity capital markets as needed or desired to support capital funding requirements. In order to meet short-term liquidity needs, American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of parent company, issues commercial paper that is supported by its revolving credit facility. The Company's access to external financing on reasonable terms may depend on, as appropriate, any or all of the following: current business conditions, including that of the utility and water utility industry in general; conditions in the debt or equity capital markets; the Company's credit ratings; and conditions in the national and international economic and geopolitical arenas. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit the Company's ability to issue debt and equity securities in the capital markets.

If these unfavorable business, market, financial and other conditions deteriorate to the extent that the Company is no longer able to access the commercial paper and/or capital markets on reasonable terms, AWCC has access to an unsecured revolving credit facility. AWCC's revolving credit facility is used principally to support its commercial paper program, to provide additional liquidity support, and to provide a sublimit for the issuance of up to $150 million in letters of credit. On October 26, 2022, AWCC and certain lenders amended and restated the credit agreement with respect to the revolving credit facility to, among other things, increase the maximum commitments under the facility from $2.25 billion to $2.75 billion and to extend the expiration date of the facility from March 2025 to October 2027. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods. Also, effective October 26, 2022, the maximum aggregate principal amount of short-term borrowings authorized under AWCC's commercial paper program was increased from $2.10 billion to $2.60 billion. As of December 31, 2022, AWCC had no outstanding borrowings and $78 million of outstanding letters of credit under its revolving credit facility, with $1.50 billion available to fulfill its short-term liquidity needs and to issue letters of credit.

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. The Company's future cash flows from operating activities will be affected by, among other things: customers' ability to pay for service in a timely manner, economic utility regulation, inflation, compliance with environmental, health and safety standards, production costs, maintenance costs, customer growth, declining customer usage of water, employee-related costs, including pension funding, weather and seasonality, taxes, and overall economic conditions.

Operating cash flows can be negatively affected by changes in the Company's rate regulated environments, changes in the economy, interest rates, the timing of tax payments, and the Company's customers' ability to pay for service in a timely manner, among other items. The Company can provide no assurance that its customers' historical payment pattern will continue in the future. The Company's current liabilities may exceed current assets mainly from debt maturities due within one year and the use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, fund acquisitions and construction projects, as well as cash needs, which can fluctuate significantly due to the seasonality of the business and other factors. The Company addresses cash timing differences primarily through its short-term liquidity funding mechanisms.

Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

	For the Years Ended December 31,		
(In millions)	**2022**	**2021**	**2020**
Net income	$ 820	$ 1,263	$ 709
Add (less):			
Depreciation and amortization	649	636	604
Deferred income taxes and amortization of investment tax credits (c)	80	230	207
Other non-cash activities (a)	(16)	(27)	—
Changes in working capital (b)	(355)	126	(55)
Pension and non-pension postretirement benefit contributions	(51)	(40)	(39)
(Gain) or loss on sale of businesses	(19)	(747)	—
Net cash provided by operating activities	$ 1,108	$ 1,441	$ 1,426

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, income tax receivable, accounts payable and accrued liabilities, accrued taxes and other current assets and liabilities, net.

(c) The decrease in the 2022 deferred tax activity is primarily due to the settlement of the deferred tax liability related to New York American Water, sold in January 2022.

In 2022, cash flows provided by operating activities decreased $333 million. The changes were driven by $338 million of estimated tax payments primarily for taxable gains on the sales of the Company's HOS business and its New York regulated operations, as well as the contribution of $45 million to the American Water Charitable Foundation. Partially offsetting these changes was a decrease due to the gain recognized from the sale of HOS in 2021.

The Company expects to make pension contributions to the plan trusts of $39 million in 2023. Actual amounts contributed could change materially from this estimate as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

	For the Years Ended December 31,		
(In millions)	**2022**	**2021**	**2020**
Capital expenditures	$ (2,297)	$ (1,764)	$ (1,822)
Acquisitions, net of cash acquired	(315)	(135)	(135)
Proceeds from sale of assets, net of cash on hand	608	472	2
Removal costs from property, plant and equipment retirements, net	(123)	(109)	(106)
Net cash used in investing activities	$ (2,127)	$ (1,536)	$ (2,061)

In 2022, cash flows used in investing activities increased $591 million primarily due to increased payments for capital expenditures and acquisitions partially offset by proceeds of $608 million received from the sale of the Company's New York operations. The Company continues to invest across all infrastructure categories, mainly replacement and renewal of transmission and distribution and services, meter and fire hydrants infrastructure in the Company's Regulated Businesses, as discussed below.

The Company's infrastructure investment plan consists of both infrastructure renewal programs, where the Company replaces mains, services, meters, hydrants and valves, as needed, and major capital investment projects, where the Company constructs new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. The Company's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Presented in the table below is a summary of the Company's capital expenditures by category:

	For the Years Ended December 31,		
(In millions)	**2022**	**2021**	**2020**
Transmission and distribution	$ 901	$ 749	$ 704
Treatment and pumping	190	197	306
Services, meter and fire hydrants	546	366	333
General structure and equipment	380	251	299
Sources of supply	95	64	54
Wastewater	185	137	126
Total capital expenditures	$ 2,297	$ 1,764	$ 1,822

In 2022, the Company's capital expenditures increased $533 million due to an increase across most infrastructure categories.

The Company also grows its business primarily through acquisitions of water and wastewater systems. These acquisitions are generally located in geographic proximity to the Company's existing Regulated Businesses and support continued geographical diversification and growth of its operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with long-term financing. During 2022, the Company paid $315 million for the acquisition of 26 water and wastewater systems, representing in the aggregate approximately 70,000 customers.

As previously noted, over the next five years the Company expects to invest between $14 billion to $15 billion, with $12.5 billion to $13 billion for infrastructure improvements in the Regulated Businesses, and the Company expects to invest between $30 billion to $34 billion over the next 10 years. In 2023, the Company expects to invest $2.9 billion, consisting of $2.5 billion for infrastructure improvements and $400 million for acquisitions in the Regulated Businesses.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

	For the Years Ended December 31,		
(In millions)	**2022**	**2021**	**2020**
Proceeds from long-term debt	$ 822	$ 1,118	$ 1,334
Repayments of long-term debt	(15)	(372)	(342)
(Repayments of) proceeds from term loan	—	(500)	500
Net short-term borrowings (repayments) with maturities less than three months	591	(198)	(5)
Dividends paid	(467)	(428)	(389)
Other financing activities, net (a)	69	35	22
Net cash provided by (used in) financing activities	$ 1,000	$ (345)	$ 1,120

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, advances and contributions in aid of construction, net of refunds, and debt issuance costs and make-whole premiums on early debt redemption.

In 2022, cash flows provided by financing activities increased $1,345 million, primarily due to an increase in commercial paper borrowings, the repayment in full at maturity of the $500 million term loan in 2021 and repayments of long-term debt due to the prepayment of $327 million in aggregate principal amount of AWCC's outstanding senior notes in 2021, with no comparable repayments in 2022. These changes were partially offset by lower proceeds from long-term debt.

The Company's financing activities are primarily focused on funding regulated infrastructure expenditures, regulated acquisitions and payment of dividends. These activities included the issuance of long-term and short-term debt, primarily through AWCC. Based on the needs of the Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and parent company. The Regulated Businesses and parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. Parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2022, AWCC has made long-term fixed rate loans and commercial paper loans to the Regulated Businesses amounting to $7.6 billion. Additionally, as of December 31, 2022, AWCC has made long-term fixed rate loans and commercial paper loans to parent company amounting to $3.6 billion.

On May 5, 2022, AWCC issued $800 million aggregate principal amount of its 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $792 million. AWCC used the net proceeds of the offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts (through AWCC) for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company minimizes the counterparty credit risk on these transactions by dealing only with leading, creditworthy financial institutions, having long-term credit ratings of "A" or better.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling $400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately $4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022.

In November and December 2022, the Company entered into four 10-year treasury lock agreements, with notional amounts totaling $100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.56%. In January 2023, the Company entered into three additional 10-year treasury lock agreements, with notional amounts totaling $100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.35%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2022, 2021 or 2020.

In February 2021, parent company and AWCC filed with the SEC a universal shelf registration statement that enables the Company to meet its capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration statement will expire in February 2024. During 2022, 2021 and 2020, $800 million, $1.10 billion, and $1.00 billion, respectively, of debt securities were issued under this and predecessor registration statements.

Presented in the table below are the issuances of long-term debt in 2022:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC (a)	Senior notes—fixed rate	4.45%	4.45%	2032	$ 800
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.75%	1.03%	2027-2042	22
Total issuances					$ 822

(a) This indebtedness is considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness. See "—Issuer and Guarantor of Senior Notes" below.

Presented in the table below are the retirements and redemptions of long-term debt in 2022 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.31%	2.24%	2024-2031	$ 1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.50%	2022-2051	13
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	8.49%	2022	1
Total retirements and redemptions					$ 15

From time to time and as market conditions warrant, the Company may engage in long-term debt retirements through make-whole redemptions, tender offers, open market repurchases or other viable alternatives.

Issuer and Guarantor of Senior Notes

The outstanding senior notes issued by AWCC have been issued under two indentures, each by and between AWCC and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the notes issued thereunder. The senior notes also have been issued with the benefit of a support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under the senior notes. No other subsidiary of parent company provides guarantees for any of the outstanding senior notes. If AWCC is unable to make timely payment of any interest, principal or premium, if any, on such senior notes, parent company will provide to AWCC, at its request or the request of any holder of such senior notes, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any holder of such senior notes, when due, the support agreement provides that the holder may proceed directly against parent company to enforce such rights or to obtain payment of the defaulted amounts owed to that holder.

As a wholly owned finance subsidiary of parent company, AWCC has no significant assets other than obligations of parent company and certain of its subsidiaries in its Regulated Businesses segment to repay certain intercompany loans made to them by AWCC. AWCC's ability to make payments of amounts owed to holders of the senior notes will be dependent upon AWCC's receipt of sufficient payments of amounts owed pursuant to the terms of such intercompany loans and from its ability to issue indebtedness or otherwise obtain loans in the future, the proceeds of which would be used to fund the repayment of the senior notes.

Because parent company is a holding company and substantially all of its operations are conducted through its subsidiaries other than AWCC, parent company's ability to fulfill its obligations under the support agreement will be dependent upon its receipt of sufficient cash dividends or distributions from its operating subsidiaries. See Note 9—Shareholders' Equity—Dividends and Distributions, in the Notes to the Consolidated Financial Statements for a summary of the limitations on parent company and its subsidiaries to pay dividends or make distributions. Furthermore, parent company's operating subsidiaries are separate and distinct legal entities and, other than AWCC, have no obligation to make any payments on the senior notes or to make available or provide any funds for such payment, other than through their repayment obligations under intercompany loans, if any, with AWCC. Based on the foregoing, parent company's obligations under the support agreement will be effectively subordinated to all indebtedness and other liabilities, including trade payables, lease commitments and moneys borrowed or other indebtedness incurred or issued by parent company's subsidiaries other than AWCC.

Credit Facilities and Short-Term Debt

Interest rates on advances under the Company's revolving credit facility are based on a credit spread to the Secured Overnight Financing Rate ("SOFR") rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody Investors Service's and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt. The facility is used principally to support AWCC's commercial paper program and to provide up to $150 million in letters of credit. Indebtedness under the facility and AWCC's commercial paper are considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations thereunder.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2022		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	$ 1,423	$ 72	$ 1,495

(a) Total remaining availability of $1.50 billion as of December 31, 2022, may be accessed through revolver draws.

(In millions)	2021 Commercial Paper Limit	2021 Letters of Credit	2021 Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	$ 1,516	$ 74	$ 1,590

(a) Total remaining availability of $1.59 billion as of December 31, 2021, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2022 and 2021:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580
Available liquidity as of December 31, 2021	116	1,590	1,706

The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41% and 0.20%, for the years ended December 31, 2022 and 2021, respectively.

Capital Structure

Presented in the table below is the percentage of the Company's capitalization represented by the components of its capital structure as of December 31:

	2022	2021	2020
Total common shareholders' equity	38.3 %	39.9 %	37.1 %
Long-term debt and redeemable preferred stock at redemption value	54.4 %	56.6 %	53.6 %
Short-term debt and current portion of long-term debt	7.3 %	3.5 %	9.3 %
Total	100 %	100 %	100 %

The changes in the capital structure mix between periods were mainly attributable to the impacts of the HOS sale on December 9, 2021, and the repayment of short-term borrowings with proceeds from the sale, and the Company's long-term debt offering that was completed on May 5, 2022.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2022, the Company's ratio was 0.62 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of February 15, 2023, as issued by Moody's Investors Service on December 19, 2022, and S&P Global Ratings on February 6, 2023:

Securities	Moody's Investors Service	S&P Global Ratings
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. None of the Company's borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, power and other fuel, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends and Regulatory Restrictions

For discussion of the Company's dividends, dividend restrictions and dividend policy, see Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Insurance Coverage

The Company carries various property, casualty, cyber and financial insurance policies with limits, deductibles and exclusions that it believes are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience which in turn can impact coverage terms and conditions on a going-forward basis. The Company is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on the Company's short-term and long-term financial condition and its results of operations and cash flows.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and make estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and judgments applied to these accounting policies could have a significant impact on the Company's financial condition, results of operations and cash flows, as reflected in the Company's Consolidated Financial Statements. Management has reviewed the critical accounting polices described below with the Company's Audit, Finance and Risk Committee, including the estimates, assumptions and judgments used in their application. Additional discussion regarding these critical accounting policies and their application can be found in Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements.

Regulation and Regulatory Accounting

The Company's regulated utilities are subject to regulation by PUCs and, as such, the Company follows the authoritative accounting principles required for rate regulated utilities, which requires the Company to reflect the effects of rate regulation in its Consolidated Financial Statements. Use of this authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2022, the Company concluded that the operations of its utilities met the criteria.

Application of this authoritative guidance has a further effect on the Company's financial statements as it pertains to allowable costs used in the ratemaking process. The Company makes significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgments include, but are not limited to, assets and liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation rates and taxes. Due to timing and other differences in the collection of revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the principles require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers.

For each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable future recovery or probable future settlement, the Company's Consolidated Statements of Operations and financial position could be materially affected. In addition, if the Company concludes in a future period that a separable portion of the business no longer meets the criteria, the Company is required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the Consolidated Financial Statements. Failure to meet the criteria of this authoritative guidance could materially impact the Company's Consolidated Financial Statements.

As of December 31, 2022 and 2021, the Company's regulatory asset balance was $1.0 billion and $1.1 billion, respectively, and its regulatory liability balance was $1.6 billion and $1.6 billion, respectively. See Note 3—Regulatory Matters in the Notes to Consolidated Financial Statements for further information regarding the Company's significant regulatory assets and liabilities.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of NOL carryforwards.

In accordance with applicable authoritative guidance, the Company accounts for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

The Company evaluates the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and its intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. The Company also assesses its ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. The Company records valuation allowances for deferred tax assets when it concludes that it is more-likely-than-not such benefit will not be realized in future periods.

Under GAAP, specifically ASC 740, *Income Taxes*, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. For the Company's regulated entities, the change in deferred taxes are recorded as either an offset to a regulatory asset or a regulatory liability and may be subject to refund to customers. For the Company's unregulated operations, the change in deferred taxes are recorded as a non-cash re-measurement adjustment to earnings.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations, failure to successfully implement tax planning strategies and recovery of taxes through the regulatory process for the Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. The resulting tax balances as of December 31, 2022 and 2021 are appropriately accounted for in accordance with the applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to the Consolidated Financial Statements and such adjustments could be material. See Note 14—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared service operations. The Company also maintains other postretirement benefit plans providing medical and life insurance to eligible retirees. See Note 2—Significant Accounting Policies and Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional information regarding the description of and accounting for the defined benefit pension plans and postretirement benefit plans.

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- Discount Rate—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.
- Expected Return on Plan Assets ("EROA")—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs the Company records currently.
- Rate of Compensation Increase—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement.
- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care.
- Mortality— Management adopted the Society of Actuaries Pri-2012 mortality base table, the most recent table developed from private pension plan experience, which provides rates of mortality in 2012 and adopted the new MP-2021 mortality improvement scale to gradually adjust future mortality rates downward due to increased longevity in each year after 2012.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The weighted-average discount rate assumption for determining pension benefit obligations was 5.58%, 2.94% and 2.74% at December 31, 2022, 2021 and 2020, respectively. The weighted-average discount rate assumption for determining other postretirement benefit obligations was 5.60%, 2.90% and 2.56% at December 31, 2022, 2021 and 2020, respectively.

In selecting an EROA, the Company considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The weighted-average EROA assumption used in calculating pension cost was 6.50% for 2022, 6.50% for 2021, and 6.50% for 2020. The weighted-average EROA assumption used in calculating other postretirement benefit costs was 3.60% for 2022, 3.67% for 2021 and 3.68% for 2020.

Presented in the table below are the allocations of the pension plan assets by asset category:

		Percentage of Plan Assets as of December 31,	
Asset Category	2023 Target Allocation	2022	2021
Equity securities	37 %	57 %	53 %
Fixed income	63 %	43 %	47 %
Total	100 %	100 %	100 %

Presented in the table below are the allocations of the other postretirement benefit plan assets by asset category:

		Percentage of Plan Assets as of December 31,	
Asset Category	2023 Target Allocation (a)	2022	2021
Equity securities	27 %	30 %	22 %
Fixed income	73 %	70 %	78 %
Total	100 %	100 %	100 %

(a) Refer to Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional details on the allocations of assets and the trusts which fund the other postretirement benefit plans

The investments of the pension and postretirement welfare plan trusts include debt and equity securities held either directly or through mutual funds, commingled funds and limited partnerships. The trustee for the Company's defined benefit pension and postretirement welfare plans uses an independent valuation firm to calculate the fair value of plan assets.

In selecting a rate of compensation increase, the Company considers past experience in light of movements in inflation rates. The Company's rate of compensation increase was 3.51% for 2022, 3.51% for 2021 and 3.51% for 2020.

In selecting health care cost trend rates, the Company considers past performance and forecasts of increases in health care costs. As of January 1, 2022, the Company's health care cost trend rate assumption used to calculate the periodic benefit cost was 6.00% in 2022 gradually declining to 5.00% in 2026 and thereafter. As of December 31, 2022, the Company projects that medical inflation will be 7.00% in 2023 gradually declining to 5.00% in 2031 and thereafter.

The Company will use a weighted-average discount rate and EROA of 5.58% and 6.75%, respectively, for estimating its 2023 pension costs. Additionally, the Company will use a weighted-average discount rate and EROA of 5.60% and 5.00%, respectively, for estimating its 2023 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase the Company's pension expense. The Company's 2022 pension and postretirement total net benefit credit was $47 million and the 2021 pension and postretirement total net benefit credit was $41 million. The Company expects to make pension contributions to the plan trusts of $39 million in 2023; however, the actual amounts contributed could change materially from this estimate. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards.

Benefit Plan Amendments

In December 2022, the Company amended the American Water Pension Plan ("AWPP"), a tax-qualified defined benefit pension plan, to restructure it as of December 31, 2022. The restructuring involved the spin-off of certain inactive participants from the existing AWPP into a separate tax-qualified defined benefit pension plan, the American Water Pension Plan for Certain Inactive Participants ("AWPP Inactive"). Benefits offered to the plan participants remain unchanged. Actuarial gains and losses associated with AWPP Inactive will be amortized over the average remaining life expectancy of the inactive participants, which increases the amortization period from approximately 7 years to 18 years. The longer amortization period is expected to lower the Company's pre-tax pension expense by approximately $5 million in 2023. The actuarial gains and losses associated with the AWPP will continue to be amortized over the average remaining service period for active participants. The Company remeasured the pension plan obligation and assets for each plan as of December 31, 2022.

Upon evaluating prior plan changes, Company funding and market performance, in December 2022, the Company completed plan amendments to spin-off and merge a portion of the American Water Retiree Welfare Plan, with and into the Company's medical plan for active employees ("Active Medical Plan"), in order to repurpose the over-funded portion of the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust. Benefits offered to the plan participants remain unchanged. As a result of these changes, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of Active Medical Plan participants ("Active VEBA"). The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately $194 million of assets for purposes of paying active union employee medical benefits. The Company recorded the transfer of assets as a negative contribution and therefore did not record a gain or loss, as permitted by accounting guidance. See Note 18—Fair Value of Financial Information in the Notes to Consolidated Financial Statements, for additional information on accounting for the assets as investments in debt and equity securities as of December 31, 2022.

Revenue Recognition

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis, and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for the Company's regulated utilities as of December 31, 2022 and 2021 was $178 million and $162 million, respectively.

The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Revenue from the Company's former HOS business, which was sold in December 2021, was generated through various protection programs in which the Company provided fixed fee services to domestic homeowners and smaller commercial customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters, power surge protection and other related services. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

The Company also has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue within Other as of December 31, 2022 and 2021 was $97 million and $86 million, respectively.

Accounting for Contingencies

The Company records loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss or a range of losses can be reasonably estimated. The determination of a loss contingency is based on management's judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limited to: the nature of the litigation, claim or assessment, review of applicable law, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. The Company provides disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. The Company provides estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement or other resolution of loss contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the Consolidated Financial Statements. See Note 16—Commitments and Contingencies in the Notes to Consolidated Financial Statements for additional information regarding contingencies.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. The Company is exposed to risks from changes in interest rates as a result of its issuance of variable and fixed rate debt and commercial paper. The Company manages its interest rate exposure by limiting its variable rate exposure and by monitoring the effects of market changes in interest rates. The Company also has the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2022, a hypothetical increase of interest rates by 1% associated with the Company's short-term borrowings would result in a $6 million increase in short-term interest expense.

The Company's risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on the Company's results of operations, financial position and cash flows.

The market price of the Company's common stock may experience fluctuations, which may be unrelated to its operating performance. In particular, the Company's stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for the Company to access the capital markets in the future through additional offerings of its common stock or other equity securities, regardless of its financial performance, and such difficulty may preclude the Company from being able to take advantage of certain business opportunities or meet business obligations.

The Company is exposed to credit risk through its water, wastewater and related services. The Company's Regulated Businesses serve residential, commercial, industrial and other customers, while the businesses within Other engage in business activities with government entities and other customers. The Company's primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. The Company's credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. The Company's credit portfolio is diversified with no significant customer or industry concentrations. In addition, the Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company's retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset values can impact the Company's pension and other benefits expense, funded status and future minimum funding requirements. Changes in interest rates can impact retirement liabilities. The Company aims to reduce risk through asset diversification and by investing in long duration fixed-income securities that have a duration similar to that of its pension liabilities, seeking to hedge some of the interest rate sensitivity of its liabilities. That way, if interest rates fall and liabilities increase, the Company expects that the fixed-income assets in its retirement trust will also increase in value. The Company also expects its risk to be reduced through its ability to recover pension and other benefit costs through rates.

The Company is also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which it operates. The credit quality of the Company's customer accounts receivable is dependent on the economy and the ability of its customers to manage through unfavorable economic cycles and other market changes. In addition, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, the Company's ability to fully recover operating expense, recover its investment and provide an appropriate return on invested capital made in the Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were $1,030 million and $1,595 million, respectively, as of December 31, 2022. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

The principal considerations for our determination that performing procedures relating to accounting for the effects of rate regulation is a critical audit matter are the significant judgment by management in accounting for regulatory assets and liabilities relative to whether regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement as a result of changes in regulatory environments, recent rate orders, and the status of any pending or potential legislation. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence obtained relating to management's judgments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's regulatory accounting process, including controls over management's assessment and consideration of factors related to the probability of future recovery or settlement. These procedures also included, among others, evaluating the reasonableness of management's judgments regarding the probability of recovery and settlement based on the Company's correspondence with regulators, status of regulatory proceedings, past practices, and other relevant information; evaluating the related accounting and disclosure implications; and evaluating regulatory assets and liabilities balances based on provisions and formulas outlined in rate orders and other correspondence with the Company's regulators.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2023

We have served as the Company's auditor since 1948.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2022	December 31, 2021
ASSETS		
Property, plant and equipment	$ 29,736	$ 27,413
Accumulated depreciation	(6,513)	(6,329)
Property, plant and equipment, net	23,223	21,084
Current assets:		
Cash and cash equivalents	85	116
Restricted funds	32	20
Accounts receivable, net of allowance for uncollectible accounts of $60 and $75, respectively	334	271
Income tax receivable	114	4
Unbilled revenues	275	248
Materials and supplies	98	57
Assets held for sale	—	683
Other	312	155
Total current assets	1,250	1,554
Regulatory and other long-term assets:		
Regulatory assets	990	1,051
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	82	92
Goodwill	1,143	1,139
Postretirement benefit assets	—	193
Other	379	242
Total regulatory and other long-term assets	3,314	3,437
Total assets	$ 27,787	$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2022	December 31, 2021
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 187,200,539 and 186,880,413 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,824	6,781
Retained earnings	1,267	925
Accumulated other comprehensive loss	(23)	(45)
Treasury stock, at cost (5,342,477 and 5,269,324 shares, respectively)	(377)	(365)
Total common shareholders' equity	7,693	7,298
Long-term debt	10,926	10,341
Redeemable preferred stock at redemption value	3	3
Total long-term debt	10,929	10,344
Total capitalization	18,622	17,642
Current liabilities:		
Short-term debt	1,175	584
Current portion of long-term debt	281	57
Accounts payable	254	235
Accrued liabilities	706	701
Accrued taxes	49	176
Accrued interest	91	88
Liabilities related to assets held for sale	—	83
Other	255	217
Total current liabilities	2,811	2,141
Regulatory and other long-term liabilities:		
Advances for construction	316	284
Deferred income taxes and investment tax credits	2,437	2,421
Regulatory liabilities	1,590	1,600
Operating lease liabilities	70	80
Accrued pension expense	235	285
Other	202	180
Total regulatory and other long-term liabilities	4,850	4,850
Contributions in aid of construction	1,504	1,442
Commitments and contingencies (See Note 16)		
Total capitalization and liabilities	$ 27,787	$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations
(In millions, except per share data)

	For the Years Ended December 31,		
	2022	2021	2020
Operating revenues	$ 3,792	$ 3,930	$ 3,777
Operating expenses:			
Operation and maintenance	1,589	1,777	1,622
Depreciation and amortization	649	636	604
General taxes	281	321	303
Total operating expenses, net	2,519	2,734	2,529
Operating income	1,273	1,196	1,248
Other income (expense):			
Interest expense	(433)	(403)	(397)
Interest income	52	4	2
Non-operating benefit costs, net	77	78	49
Gain on sale of businesses	19	747	—
Other, net	20	18	22
Total other income (expense)	(265)	444	(324)
Income before income taxes	1,008	1,640	924
Provision for income taxes	188	377	215
Net income attributable to common shareholders	$ 820	$ 1,263	$ 709
Basic earnings per share: (a)			
Net income attributable to common shareholders	$ 4.51	$ 6.96	$ 3.91
Diluted earnings per share: (a)			
Net income attributable to common shareholders	$ 4.51	$ 6.95	$ 3.91
Weighted average common shares outstanding:			
Basic	182	182	181
Diluted	182	182	182

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2022	2021	2020
Net income attributable to common shareholders	$ 820	$ 1,263	$ 709
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of $5, $0 and $(4) in 2022, 2021 and 2020, respectively	14	(1)	(12)
Defined benefit pension plan actuarial loss, net of tax of $1, $1 and $1 in 2022, 2021 and 2020, respectively	3	4	3
Unrealized gain (loss) on cash flow hedges, net of tax of $1, $1 and $(1) in 2022, 2021 and 2020, respectively	5	1	(4)
Net other comprehensive income (loss)	22	4	(13)
Comprehensive income attributable to common shareholders	$ 842	$ 1,267	$ 696

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2022	**2021**	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 820	$ 1,263	$ 709
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	649	636	604
Deferred income taxes and amortization of investment tax credits	80	230	207
Provision for losses on accounts receivable	24	37	34
(Gain) or loss on sale of businesses	(19)	(747)	—
Pension and non-pension postretirement benefits	(47)	(41)	(14)
Other non-cash, net	7	(23)	(20)
Changes in assets and liabilities:			
Receivables and unbilled revenues	(114)	(74)	(97)
Income tax receivable	(110)	21	(3)
Pension and non-pension postretirement benefit contributions	(51)	(40)	(39)
Accounts payable and accrued liabilities	(8)	66	(2)
Accrued taxes	(118)	129	3
Other assets and liabilities, net	(5)	(16)	44
Net cash provided by operating activities	1,108	1,441	1,426
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(2,297)	(1,764)	(1,822)
Acquisitions, net of cash acquired	(315)	(135)	(135)
Proceeds from sale of assets, net of cash on hand	608	472	2
Removal costs from property, plant and equipment retirements, net	(123)	(109)	(106)
Net cash used in investing activities	(2,127)	(1,536)	(2,061)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	822	1,118	1,334
Repayments of long-term debt	(15)	(372)	(342)
(Repayments of) proceeds from term loan	—	(500)	500
Net short-term borrowings (repayments) with maturities less than three months	591	(198)	(5)
Advances and contributions in aid of construction, net of refunds of $19, $25 and $24 in 2022, 2021 and 2020, respectively	74	62	28
Debt issuance costs and make-whole premium on early debt redemption	(7)	(26)	(15)
Dividends paid	(467)	(428)	(389)
Other, net	2	(1)	9
Net cash provided by (used in) financing activities	1,000	(345)	1,120
Net (decrease) increase in cash, cash equivalents and restricted funds	(19)	(440)	485
Cash, cash equivalents and restricted funds at beginning of period	136	576	91
Cash, cash equivalents and restricted funds at end of period	$ 117	$ 136	$ 576
Cash paid during the year for:			
Interest, net of capitalized amount	$ 414	$ 389	$ 382
Income taxes, net of refunds of $2, $6 and $2 in 2022, 2021 and 2020, respectively	$ 335	$ 1	$ 7
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	$ 330	$ 292	$ 221
Seller promissory note from the sale of the Homeowner Services Group	$ —	$ 720	$ —
Contingent cash payment from the sale of the Homeowner Services Group	$ —	$ 75	$ —

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity
(In millions, except per share data)

	Common Stock					Treasury Stock		
	Shares	Par Value	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Shares	At Cost	Total Shareholders' Equity
Balance as of December 31, 2019	185.9	$ 2	$ 6,700	$ (207)	$ (36)	(5.1)	$ (338)	$ 6,121
Net income attributable to common shareholders	—	—	—	709	—	—	—	709
Common stock issuances (a)	0.6	—	47	—	—	(0.1)	(10)	37
Net other comprehensive income	—	—	—	—	(13)	—	—	(13)
Dividends ($2.20 declared per common share)	—	—	—	(400)	—	—	—	(400)
Balance as of December 31, 2020	186.5	$ 2	$ 6,747	$ 102	$ (49)	(5.2)	$ (348)	$ 6,454
Net income attributable to common shareholders	—	—	—	1,263	—	—	—	1,263
Common stock issuances (a)	0.4	—	34	—	—	(0.1)	(17)	17
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends ($2.41 declared per common share)	—	—	—	(440)	—	—	—	(440)
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298
Net income attributable to common shareholders	—	—	—	820	—	—	—	820
Common stock issuances (a)	0.5	—	43	—	—	(0.1)	(12)	31
Net other comprehensive income	—	—	—	—	22	—	—	22
Dividends ($2.62 declared per common share)	—	—	—	(478)	—	—	—	(478)
Balance as of December 31, 2022	187.4	$ 2	$ 6,824	$ 1,267	$ (23)	(5.4)	$ (377)	$ 7,693

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and direct stock purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements
(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the "Company" or "American Water") is a holding company for regulated and market-based subsidiaries that provide water and wastewater services throughout the United States. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries. The Company's primary business involves the ownership of regulated utilities that provide water and wastewater services in 14 states in the United States, collectively referred to as the "Regulated Businesses." The Company also operates other market-based businesses that provide water and wastewater services within non-reportable operating segments, collectively presented throughout this Annual Report on Form 10-K within "Other." The Company's primary market-based businesses included within Other are the Military Services Group ("MSG"), which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations; and the former Homeowner Services Group ("HOS"), which was sold on December 9, 2021, and provided various warranty protection programs and other home services to residential customers.

Note 2: Significant Accounting Policies

Regulation

The Company's regulated utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions ("PUCs"). As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's Consolidated Financial Statements. PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also approve accounting treatments, long-term financing programs and cost of capital, operation and maintenance ("O&M") expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers, acquisitions and dispositions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility's revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, these principles also require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 3—Regulatory Matters for additional information.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires that management make estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. The Company considers its critical accounting estimates to include (i) the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities, (ii) revenue recognition and the estimates used in the calculation of unbilled revenue, (iii) accounting for income taxes, (iv) benefit plan assumptions and (v) the estimates and judgments used in determining loss contingencies. The Company's critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, income taxes, benefit plan assumptions and contingency-related obligations.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany balances and transactions.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant utilized by the Company's regulated utilities. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction ("AFUDC"). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of utility plant is depreciated using the straight-line average remaining life, group method. The Company's regulated utilities record depreciation in conformity with amounts approved by PUCs, after regulatory review of the information the Company submits to support its estimates of the assets' remaining useful lives.

Nonutility property consists primarily of buildings and equipment utilized by the Company's MSG business and for internal operations. This property is stated at cost, net of accumulated depreciation, which is calculated using the straight-line method over the useful lives of the assets.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs amounted to $369 million and $374 million as of December 31, 2022 and 2021, respectively.

Cash and Cash Equivalents, and Restricted Funds

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted funds consist primarily of proceeds from financings for the construction and capital improvement of facilities, and deposits for future services under O&M projects. Proceeds are held in escrow or interest-bearing accounts until the designated expenditures are incurred. Restricted funds are classified on the Consolidated Balance Sheets as either current or long-term based upon the intended use of the funds.

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers generally on a monthly basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are market-based trade accounts receivable and nonutility customer receivables of the regulated subsidiaries. Unbilled revenues are accrued when service has been provided but has not been billed to customers and when costs exceed billings on market-based construction contracts.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. See Note 7—Allowance for Uncollectible Accounts for additional information.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Seller Promissory Note

The Company's seller promissory note is accounted for under Accounting Standards Codification ("ASC") Topic 310, *Receivables*, and is classified as held for investment and accounted for at amortized cost at the present value of consideration received for the sale of its HOS business. Interest income from the seller promissory note is accrued based on the principal amount outstanding and earned over the contractual life of the loan.

Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued liabilities and operating lease liabilities on the Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, accrued liabilities and other long-term liabilities on the Consolidated Balance Sheets. The Company has made an accounting policy election not to include operating leases with a lease term of twelve months or less.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of discounted lease payments. The implicit rate is used when readily determinable. ROU assets also include any upfront lease payments and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g., common-area maintenance costs), which are generally accounted for separately; however, the Company accounts for the lease and non-lease components as a single lease component for certain leases. Certain lease agreements include variable rental payments adjusted periodically for inflation. Additionally, the Company applies a portfolio approach to effectively account for the ROU assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized and must be allocated at the reporting unit level, which is defined as an operating segment or one level below, and tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying value.

The Company's goodwill is primarily associated with the acquisition of American Water by an affiliate of the Company's previous owner in 2003 and has been allocated to reporting units based on the fair values at the date of the acquisitions. For purposes of testing goodwill for impairment, the reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The goodwill of Other is comprised of the MSG reporting unit.

The Company's annual impairment testing is performed as of November 30 of each year. The Company assesses qualitative factors to determine whether quantitative testing is necessary. If it is determined, based upon qualitative factors, that the estimated fair value of a reporting unit is, more likely than not, greater than its carrying value, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment and determines that the estimated fair value of a reporting unit, is more likely than not, less than its carrying value, a quantitative, fair value-based assessment is performed. This quantitative testing compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. An impairment loss will be recognized in the amount equal to the excess of the reporting unit's carrying value compared to its estimated fair value, limited to the total amount of goodwill allocated to that reporting unit.

Application of goodwill impairment testing requires management judgment, including the identification of reporting units and determining the fair value of reporting units. Management estimates fair value using a discounted cash flow analysis. Significant assumptions used in these fair value estimations include, but are not limited to, forecasts of future operating results, discount rate and growth rate.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate, however, if actual experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements. See Note 8—Goodwill and Other Intangible Assets for additional information.

Impairment of Long-Lived Assets

Long-lived assets, other than goodwill, include property, plant and equipment and long-term investments. The Company evaluates long-lived assets for impairment when circumstances indicate the carrying value of those assets may not be recoverable. The Company determines if long-lived assets are potentially impaired by comparing the undiscounted expected future cash flows to the carrying value when indicators of impairment exist. When the undiscounted cash flow analysis indicates a long-lived asset may not be recoverable, the amount of the impairment loss is determined by measuring the excess of the carrying amount of the long-lived asset or asset group over its fair value.

The long-lived assets of the Company's regulated utilities are grouped on a separate entity basis for impairment testing, as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company believes the assumptions and other considerations used to value long-lived assets to be appropriate, however, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2022 and 2021 on the Consolidated Balance Sheets are estimated refunds of $19 million and $23 million, respectively. These amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions. Contributions are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was $37 million, $36 million and $32 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Revenue Recognition

Under ASC Topic 606, *Revenue From Contracts With Customers,* and all related amendments (collectively, "ASC 606"), a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under ASC 606, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether any performance obligations are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Regulated Businesses Revenue

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Other Revenue

The Company has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. See Note 4—Revenue Recognition for additional information.

Prior to December 9, 2021, through various warranty protection programs and other home services, the Company previously provided fixed fee services to residential customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters and other home appliances, as well as power surge protection and other related services through its former HOS business. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

Income Taxes

The Company and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis. See Note 14—Income Taxes for additional information.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest, net on the Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in other, net on the Consolidated Statements of Operations. Presented in the table below is AFUDC for the years ended December 31:

	2022	2021	2020
Allowance for other funds used during construction	$ 20	$ 27	$ 30
Allowance for borrowed funds used during construction	14	10	13

Derivative Financial Instruments

The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company designates the derivative as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities on the Consolidated Statements of Cash Flows. See Note 11—Long-Term Debt for additional information.

Pension and Other Postretirement Benefits

The Company maintains defined benefit pension plans and other postretirement benefit plans for eligible employees and retirees. The plan obligation and costs of providing benefits under these plans are annually measured as of December 31. The measurement involves various factors, assumptions and accounting elections. The impact of assumption changes or experience different from that assumed on pension and other postretirement benefit obligations is recognized over time rather than immediately recognized in the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income. Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service period of the current active membership for the plans, with the exception of the American Water Pension Plan for Certain Inactive Participants ("AWPP Inactive"), which is amortized over the average remaining life expectancy of the inactive participants. See Note 15—Employee Benefits for additional information.

The Company's policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2022:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022	Modified retrospective	The standard did not have a material impact on the Consolidated Financial Statements.
Disclosures by Business Entities about Government Assistance	The amendments in this update require additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies.	January 1, 2022	Prospective	The standard did not have a material impact on the Consolidated Financial Statements.
Reference Rate Reform	This update provides an additional two-year deferral on the sunset date for temporary relief during the reference rate reform transition period. After December 31, 2024, the Company will no longer be permitted to apply the relief for reference rate reform.	December 21, 2022	Prospective	The standard did not have a material impact on the Consolidated Financial Statements

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2022:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Troubled Debt Restructurings and Vintage Disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings ("TDRs") by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023; early adoption permitted	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of the excess accumulated deferred income taxes ("EADIT") that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective during 2022:

(In millions)	Effective Date	Amount
General rate cases by state:		
New Jersey	September 1, 2022	$ 46
Hawaii	July 1, 2022	2
West Virginia	February 25, 2022	13
California, Step Increase	January 1, 2022	9
Pennsylvania, Step Increase	January 1, 2022	20
Total general rate case authorizations		$ 90

Presented in the table below are annualized incremental revenues, including reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective on or after January 1, 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Pennsylvania	January 28, 2023	$ 138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 218

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues excluding previously recovered infrastructure surcharges, effective January 1, 2023, based on an authorized return on equity of 9.8%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement of the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a $138 million annualized increase in water and wastewater revenues and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The rate case proceeding was resolved through a "black box" settlement agreement and did not specify an approved return on equity ("ROE"). The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Company's Pennsylvania subsidiary's COVID-19 deferral balance.

On August 17, 2022, the Company's New Jersey subsidiary was authorized additional annual revenues of $46 million in its general rate case, effective September 1, 2022, based on an authorized return on equity of 9.6%, authorized rate base of $4.15 billion, a common equity ratio of 54.6% and a long-term debt ratio of 45.4%. The request incorporated updated estimates of production costs, including chemicals, fuel and power costs. Beginning January 1, 2023, the Company's New Jersey subsidiary will defer as a regulatory asset or liability, as appropriate, the difference between its pension expense and other postretirement benefits expense and those amounts included in base rates. The deferral period for this regulatory asset or liability will be two years or, if earlier, will end at the conclusion of the Company's New Jersey subsidiary's next general rate case. The Company's New Jersey subsidiary also withdrew its request, without prejudice, to recover its existing authorized COVID-19-related regulatory asset in the general rate case and will seek recovery in a separate proceeding within the process established in the New Jersey Board of Public Utilities' (the "NJBPU") generic COVID-19-related proceeding.

On February 24, 2022, the Company's West Virginia subsidiary ("WVAWC") was authorized additional annual revenues of $13 million in its general rate case, effective February 25, 2022, based on an authorized return on equity of 9.8%, authorized rate base of $734 million and a common equity ratio of 47.9%. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. WVAWC filed its response to the Staff's Petition for Reconsideration on March 28, 2022, in support of the authorized revenue requirement. On October 21, 2022, the Public Service Commission of West Virginia denied the motion for reconsideration.

Pending General Rate Case Filings

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, with all increases compared against 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised requested additional annualized revenues for the test year 2024 is now $37 million, compared against 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million.

On July 1, 2022, the Company's Missouri subsidiary filed a general rate case requesting $105 million in additional annualized revenues.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting $14 million in additional annualized revenues. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates is subject to refund. On September 26, 2022, a settlement agreement, supported by all parties except one, was filed with the Virginia State Corporation Commission for a $11 million annual revenue increase. Public hearings were held on September 27 and 28, 2022. A final decision on this matter is expected in the first quarter of 2023.

The Company's California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the first quarter of 2023.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2022:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	(a)	$ 11
Pennsylvania	(b)	19
Missouri	(c)	30
Tennessee	August 8, 2022	3
Kentucky	July 1, 2022	3
Indiana	March 21, 2022	8
West Virginia	March 1, 2022	3
Illinois	January 1, 2022	6
Total infrastructure surcharge authorizations		$ 83

(a) In 2022, $1 million was effective December 30 and $10 million was effective June 27.

(b) In 2022, $8 million was effective on October 1, $9 million was effective July 1 and $2 million was effective April 1.

(c) In 2022, $18 million was effective August 11 and $12 million was effective February 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	January 16, 2023	$ 15
West Virginia	January 1, 2023	7
Pennsylvania	January 1, 2023	3
Total infrastructure surcharge filings		$ 25

Pending Infrastructure Surcharge Filings

On January 20, 2023, the Company's Indiana subsidiary filed an infrastructure surcharge proceeding requesting $21 million in additional annualized revenue

On November 18, 2022, the Company's Indiana subsidiary filed an infrastructure surcharge proceeding requesting $7 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company's California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company's total regulatory asset balance at December 31, 2022 earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	2022	2021
Deferred pension expense	$ 251	$ 323
Removal costs recoverable through rates	307	313
Regulatory balancing accounts	26	52
Other	406	439
Less: Regulatory assets included in assets held for sale (a)	—	(76)
Total regulatory assets	$ 990	$ 1,051

(a) These regulatory assets are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $251 million and $317 million as of December 31, 2022 and 2021, respectively. The remaining portion is the pension expense in excess of the amount contributed to the pension plans which is deferred by certain subsidiaries and will be recovered in future service rates as contributions are made to the pension plan.

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs and purchased power and water accounts.

Other regulatory assets include the financial impacts relating to the COVID-19 pandemic, purchase premium recoverable through rates, tank painting costs, certain construction costs for treatment facilities, property tax stabilization, employee-related costs, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

The Company has current regulatory assets of $40 million and $16 million included in other current assets on the Consolidated Balance Sheet as of December 31, 2022 and 2021, respectively, which is primarily made up of rate adjustment mechanisms.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. Presented in the table below is the composition of regulatory liabilities as of December 31:

	2022	2021
Income taxes recovered through rates	$ 1,127	$ 1,093
Removal costs recovered through rates	275	291
Postretirement benefit liability	100	153
Other	88	110
Less: Regulatory liabilities included in liabilities related to assets held for sale (a)	—	(47)
Total regulatory liabilities	$ 1,590	$ 1,600

(a) These regulatory liabilities are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Income taxes recovered through rates relate to deferred taxes that will likely be refunded to the Company's customers. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 ("TCJA") was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, as amended, including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. The enactment of the TCJA required a re-measurement of the Company's deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT will be used to benefit its regulated customers in future rates. All of the Company's regulated subsidiaries are amortizing EADIT and crediting customers.

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful lives that are recovered through customer rates over the lives of the associated assets.

On August 31, 2018, the Postretirement Medical Benefit Plan was remeasured to reflect an announced plan amendment which changed benefits for certain union and non-union plan participants. As a result of the remeasurement, the Company recorded a $227 million reduction to the net accumulated postretirement benefit obligation, with a corresponding regulatory liability.

Other regulatory liabilities include the financial impacts relating to the COVID-19 pandemic, TCJA reserve on revenue, pension and other postretirement benefit balancing accounts, legal settlement proceeds, deferred gains and various regulatory balancing accounts.

The Company has current regulatory liabilities of $5 million and $8 million included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2022 and 2021, respectively, which primarily is made up of TCJA reserve on revenue.

Note 4: Revenue Recognition

Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,938	$ 3	$ 1,941
Commercial	709	1	710
Fire service	147	—	147
Industrial	152	1	153
Public and other	252	—	252
Total water services	3,198	5	3,203
Wastewater services:			
Residential	173	1	174
Commercial	45	—	45
Industrial	4	—	4
Public and other	19	—	19
Total wastewater services	241	1	242
Miscellaneous utility charges	36	—	36
Alternative revenue programs	—	15	15
Lease contract revenue	—	9	9
Total Regulated Businesses	3,475	30	3,505
Other	288	(1)	287
Total operating revenues	$ 3,763	$ 29	$ 3,792

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,935	$ —	$ 1,935
Commercial	676	—	676
Fire service	151	—	151
Industrial	141	—	141
Public and other	230	—	230
Total water services	3,133	—	3,133
Wastewater services:			
Residential	151	—	151
Commercial	37	—	37
Industrial	4	—	4
Public and other	16	—	16
Total wastewater services	208	—	208
Miscellaneous utility charges	26	—	26
Alternative revenue programs	—	9	9
Lease contract revenue	—	8	8
Total Regulated Businesses	3,367	17	3,384
Other	547	(1)	546
Total operating revenues	$ 3,914	$ 16	$ 3,930

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2020:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,895	$ —	$ 1,895
Commercial	627	—	627
Fire service	147	—	147
Industrial	133	—	133
Public and other	201	—	201
Total water services	3,003	—	3,003
Wastewater services:			
Residential	134	—	134
Commercial	34	—	34
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	185	—	185
Miscellaneous utility charges	32	—	32
Alternative revenue programs	—	25	25
Lease contract revenue	—	10	10
Total Regulated Businesses	3,220	35	3,255
Other	523	(1)	522
Total operating revenues	$ 3,743	$ 34	$ 3,777

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's MSG, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $86 million, $71 million and $39 million are included in unbilled revenues on the Consolidated Balance Sheets as of December 31, 2022, 2021 and 2020, respectively. There were $161 million of contract assets added during 2022, and $146 million of contract assets were transferred to accounts receivable during 2022. There were $71 million of contract assets added during 2021, and $39 million of contract assets were transferred to accounts receivable during 2021.

Contract liabilities of $91 million, $19 million and $35 million are included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2022, 2021 and 2020, respectively. There were $189 million of contract liabilities added during 2022, and $117 million of contract liabilities were recognized as revenue during 2022. There were $152 million of contract liabilities added during 2021, and $168 million of contract liabilities were recognized as revenue during 2021.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of December 31, 2022, the Company's O&M and capital improvement contracts in MSG and the Contract Services Group have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of $7.0 billion as of December 31, 2022, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of $589 million as of December 31, 2022, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures

Regulated Businesses

Closed Acquisitions

During 2022, the Company closed on 26 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $335 million, of which $315 million was funded in 2022, which added approximately 70,000 water and wastewater customers, including the acquisition of the City of York wastewater system assets noted below. Assets acquired from these acquisitions, principally utility plant, totaled $337 million and liabilities assumed totaled $6 million. Several of these acquisitions were accounted for as business combinations. The preliminary purchase price allocations related to acquisitions accounted for as business combinations will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

On May 27, 2022, the Company's Pennsylvania subsidiary acquired the public wastewater collection and treatment system assets from the York City Sewer Authority and the City of York for a purchase price of $235 million, in cash, $20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement. The system assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. The acquisition was accounted for as a business combination and the preliminary purchase price allocation will be finalized once the valuation of assets acquired has been completed, no later than one year after the acquisition date. The preliminary purchase price allocation consisted primarily of $231 million of utility plant and $4 million of goodwill, which is reported in the Company's Regulated Businesses segment.

During 2021, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $112 million. Assets acquired from these acquisitions, principally utility plant, totaled $114 million and liabilities assumed totaled $2 million. Several of these acquisitions were accounted for as business combinations.

The pro forma impact of the Company's acquisitions was not material to the Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020.

Pending Acquisitions

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of $232 million in cash, subject to adjustment as provided for in the Asset Purchase Agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in early 2023.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021.

Presented in the table below are the components of assets held for sale and liabilities related to assets held for sale of the New York subsidiary as of December 31, 2021:

	December 31, 2021
Property, plant and equipment	$ 556
Current assets	18
Regulatory assets	76
Goodwill	27
Other assets	6
Assets held for sale	$ 683
Current liabilities	13
Regulatory liabilities	47
Other liabilities	23
Liabilities related to assets held for sale	$ 83

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for $6 million in cash.

Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately $1.275 billion, resulting in pre-tax gain of $748 million. The consideration is comprised of $480 million in cash, a seller promissory note issued by the Buyer in the principal amount of $720 million, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 18—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. For the year ended December 31, 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of $20 million, which is included in Gain on sale of businesses on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized $50 million of interest income during the year ended December 31, 2022, from the seller note. The repayment obligations of the Buyer under the seller note have been secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions. The seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants.

Beginning December 9, 2024, the Company has a put right pursuant to which it may require the seller note to be repaid in full at par, plus accrued and unpaid interest, except that upon the occurrence of a disruption event in the broadly syndicated term loan "B" debt financing market, repayment by the Buyer pursuant to the Company's exercise of the put right will be delayed until the market disruption event ends.

The seller note may not be prepaid at the Buyer's election except in certain limited circumstances before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the seller note in breach of this non-call provision, an event of default will occur under the seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary "make-whole" payment.

The Company and the Buyer also entered into a revenue share agreement, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the Closing Date. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized $9 million of income during the year ended December 31, 2022, from the revenue share agreements, which is included in Other, net on the Consolidated Statements of Operations.

Note 6: Property, Plant and Equipment

Presented in the table below are the major classes of property, plant and equipment by category as of December 31:

	2022	2021	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	$ 239	$ 210		
Sources of supply	1,003	938	10 to 127 years	46 years
Treatment and pumping facilities	4,298	4,198	3 to 101 years	39 years
Transmission and distribution facilities	12,971	12,308	9 to 128 years	69 years
Services, meters and fire hydrants	5,162	4,888	5 to 90 years	32 years
General structures and equipment	2,289	2,200	1 to 109 years	15 years
Waste collection	1,539	1,363	5 to 113 years	56 years
Waste treatment, pumping and disposal	1,129	912	2 to 153 years	38 years
Construction work in progress	974	934		
Other (a)	23	(664)		
Total utility plant	29,627	27,287		
Nonutility property	109	126	3 to 50 years	10 years
Total property, plant and equipment	$ 29,736	$ 27,413		

(a) This includes utility plant acquisition adjustment balances in addition to property, plant and equipment related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Property, plant and equipment depreciation expense amounted to $552 million, $550 million and $520 million for the years ended December 31, 2022, 2021 and 2020, respectively and was included in depreciation and amortization expense on the Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.60%, 2.77% and 2.82% for years December 31, 2022, 2021 and 2020, respectively. Additionally, the Company had capital expenditures acquired on account but unpaid of $330 million and $292 million included in accrued liabilities on the Consolidated Balance Sheets as of December 31, 2022 and 2021, respectively.

In 2019, the Company completed and submitted its project completion certification to the New Jersey Economic Development Authority ("NJEDA") in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The NJEDA determined that the Company was qualified to receive $164 million in tax credits over a 10-year period. In October 2022, the NJEDA issued the Company a revised tax credit certificate in the amount of $161 million in tax credits to be received over the same 10-year period. The NJEDA denied previously approved capitalized interest cost amounting to $2.8 million. As a result, the Company adjusted the amounts included in Property, plant and equipment.

The Company is required to meet various annual requirements in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15.

One of the requirements to qualify for the release of credits annually is that the Company maintain a certain level of eligible positions at the qualified business facility ("QBF"). Prior to March 2020, a full-time employee must have spent at least 80% of their time at the QBF to meet the definition of eligible position or full-time job. On July 2, 2021, New Jersey's Governor signed legislation that revised provisions of the Economic Recovery Act of 2020, which lowered the 80% requirement for spending time at the QBF to 60% of the employee's time.

During the COVID-19 pandemic, the NJEDA implemented certain accommodations that temporarily waived the requirement that a full-time employee spend the requisite percentage of time at the QBF to be eligible for the award under the program. This waiver expired on June 30, 2022.

On December 22, 2022, the New Jersey Governor signed legislation which provides an additional waiver to eligible businesses for the period of July 1, 2022 to December 31, 2023. Specifically, it allows businesses to waive the 60% on-site requirement if (i) full-time workers spend at least 10% of their work hours at the QBF and (ii) the business pays NJEDA 5% of the amount of the tax credit the business receives for the 2022 tax period. The legislation also (i) extends the time within which a business may terminate their participation in the program to December 31, 2023, without the NJEDA recapturing previously distributed credits; (ii) extends the time allowed under current law for a business to suspend its obligations under the incentive agreement; (iii) extends the provision to include the 2022 and 2023 tax periods; and (iv) renews and extends the right of a business to reduce the required full-time employees specified in the incentive agreement to be eligible to receive the credit. The Company is considering all of its options as a result of the most recent legislation.

In December 2022, the NJEDA issued the utilization certificate for the 2019 tax credits to the Company in the amount of $16 million. The Company sold these tax credits to external parties in December 2022 for $15 million. The loss on sale of credits was recorded to Other income (expense) in the Consolidated Results of Operations for the year ended December 31, 2022. As a result, the Company had assets of $48 million and $97 million in Other current assets and Other long-term assets, respectively, on the Consolidated Balance Sheets as of December 31, 2022. The Company has made the necessary annual filings for the years ended December 31, 2020 and 2021, and expects to make the 2022 filing by April 30, 2023. The remaining submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in 2023.

Note 7: Allowance for Uncollectible Accounts

Presented in the table below are the changes in the allowances for uncollectible accounts for the years ended December 31:

	2022	2021	2020
Balance as of January 1	$ (75)	$ (60)	$ (41)
Amounts charged to expense	(24)	(37)	(34)
Amounts written off	27	35	23
Other, net (a)	12	(13)	(8)
Balance as of December 31	$ (60)	$ (75)	$ (60)

(a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity. The 2021 and 2020 activity also includes the portion of the allowance related to the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Note 8: Goodwill and Other Intangible Assets

Goodwill

Presented in the table below are the changes in the carrying value of goodwill for the years ended December 31, 2022 and 2021:

	Regulated Businesses		Other		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2021	$ 3,461	$ (2,332)	$ 483	$ (108)	$ 3,944	$ (2,440)	$ 1,504
Acquisition related adjustments	(7)	—	—	—	(7)	—	(7)
Goodwill included in assets held for sale (a)	12	—	—	—	12	—	12
Goodwill reduced through sale of HOS	—	—	(370)	—	(370)	—	(370)
Balance as of December 31, 2021	$ 3,466	$ (2,332)	$ 113	$ (108)	$ 3,579	$ (2,440)	$ 1,139
Goodwill from acquisitions	4	—	—	—	4	—	4
Balance as of December 31, 2022	$ 3,470	$ (2,332)	$ 113	$ (108)	$ 3,583	$ (2,440)	$ 1,143

(a) This goodwill is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

In 2021, the Company reduced goodwill by $370 million included in Other through the sale of HOS. See Note 5—Acquisitions and Divestitures for additional information relating to the sale of HOS.

The Company completed its annual impairment testing of goodwill as of November 30, 2022, which included qualitative assessments of its Regulated Businesses and MSG reporting units. Based on these assessments, the Company determined that there were no factors present that would indicate that the fair value of these reporting units was less than their respective carrying values as of November 30, 2022.

In 2022, the Company acquired goodwill of $4 million associated with one of its acquisitions in the Regulated Businesses segment.

Intangible Assets

The Company held finite-lived intangible assets, including customer relationships and other intangible assets prior to the sale of HOS during the fourth quarter of 2021. All of the Company's finite-lived intangible assets were sold as part of the HOS sale transaction. As a result, there was no gross carrying value or net book value of customer relationships and other intangible assets remaining as of December 31, 2022 and December 31, 2021. Intangible asset amortization expense amounted to $9 million and $12 million for the years ended December 31, 2021 and 2020, respectively. There was no amortization expense related to customer relationships and other intangible assets for the year ended December 31, 2022.

Note 9: Shareholders' Equity

Dividend Reinvestment and Direct Stock Purchase Plan

Under the Company's dividend reinvestment and direct stock purchase plan (the "DRIP"), shareholders may reinvest cash common stock dividends and purchase additional shares of Company common stock, up to certain limits, through the plan administrator without paying brokerage commissions. Shares purchased by participants through the DRIP may be newly issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2022, there were approximately 4.2 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allows the Company to purchase up to 10 million shares of its outstanding common stock from time to time over an unrestricted period of time. The Company did not repurchase shares of common stock during the years ended December 31, 2022 and 2021. As of December 31, 2022, there were 5.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2022 and 2021:

	Defined Benefit Plans				
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Gain (Loss) on Cash Flow Hedge	Accumulated Other Comprehensive Loss
Beginning balance as of January 1, 2021	$ (106)	$ 1	$ 63	$ (7)	$ (49)
Other comprehensive income (loss) before reclassification	(1)	—	—	1	—
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	4
Net other comprehensive income (loss)	(1)	—	4	1	4
Ending balance as of December 31, 2021	$ (107)	$ 1	$ 67	$ (6)	$ (45)
Other comprehensive income (loss) before reclassification	14	—	—	5	19
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	3
Net other comprehensive income (loss)	14	—	3	5	22
Ending balance as of December 31, 2022	$ (93)	$ 1	$ 70	$ (1)	$ (23)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 15—Employee Benefits for additional information.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends and Distributions

The Company's Board of Directors authorizes the payment of dividends. The Company's ability to pay dividends on its common stock is subject to having access to sufficient sources of liquidity, net income and cash flows of the Company's subsidiaries, the receipt of dividends and direct and indirect distributions from, and repayments of indebtedness of, the Company's subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements and other factors.

The Company's dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company's income and cash flows. When dividends on common stock are declared, they are typically paid in March, June, September and December. Historically, dividends have been paid quarterly to holders of record as of a date less than 30 days prior to the distribution date. Since the dividends on the Company's common stock are not cumulative, only declared dividends are paid.

During 2022, 2021 and 2020, the Company paid $467 million, $428 million and $389 million in cash dividends, respectively. Presented in the table below is the per share cash dividends paid for the years ended December 31:

	2022	2021	2020
December	$ 0.6550	$ 0.6025	$ 0.55
September	$ 0.6550	$ 0.6025	$ 0.55
June	$ 0.6550	$ 0.6025	$ 0.55
March	$ 0.6025	$ 0.55	$ 0.50

On December 7, 2022, the Company's Board of Directors declared a quarterly cash dividend payment of $0.6550 per share payable on March 1, 2023, to shareholders of record as of February 7, 2023.

Under applicable law, the Company's subsidiaries may pay dividends on their capital stock or other equity only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the amount of the dividend that the subsidiary can pay. The ability of the Company's subsidiaries to pay upstream dividends, make other upstream distributions or repay indebtedness to parent company or American Water Capital Corp. ("AWCC"), the Company's wholly owned financing subsidiary, as applicable, is subject to compliance with applicable corporate, tax and other laws, regulatory restrictions and financial and other contractual obligations, including, for example, (i) regulatory capital, surplus or net worth requirements, (ii) outstanding debt service obligations, (iii) requirements to make preferred and preference stock dividend payments, and (iv) other contractual agreements, covenants or obligations made or entered into by the Company and its subsidiaries.

Regulatory Restrictions on Indebtedness

The issuance of long-term debt or equity securities by the Company or long-term debt by AWCC does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. Based on the needs of the Regulated Businesses and parent company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide these borrowings to the Regulated Businesses or parent company. PUC authorization is generally required for the regulated subsidiaries to incur long-term debt. The Company's regulated subsidiaries normally obtain these required PUC authorizations on a periodic basis to cover their anticipated financing needs for a period of time, or, as necessary, in connection with a specific financing or refinancing of debt.

Note 10: Stock Based Compensation

The Company has granted stock units, stock awards and dividend equivalents to non-employee directors, officers and employees pursuant to the terms of the 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"), approved by the Company's shareholders in May 2017. Stock units under the 2017 Omnibus Plan generally vest based on (i) continued employment with the Company ("RSUs"), or (ii) continued employment with the Company where distribution of the shares is subject to the satisfaction in whole or in part of stated performance-based goals ("PSUs"). A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2022, 6.3 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents. Dividend equivalents may be granted only on stock units or other stock-based awards. The 2017 Omnibus Plan expires in 2027.

The Company had granted stock options, stock units, including RSUs and PSUs, and dividend equivalents to non-employee directors, officers and other key employees of the Company under its 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). The 2007 Plan has been replaced by the 2017 Omnibus Plan, as defined above, and no additional awards may be granted under the 2007 Plan. However, shares may still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

The cost of services received from employees in exchange for the issuance of restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock unit awards at the date of the grant is amortized through expense over the requisite service period. All awards granted in 2022, 2021 and 2020 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. There have been no significant adjustments to the forfeiture rates during 2022, 2021 and 2020. There were no grants of stock options to employees after 2016, and there were no stock options outstanding as of December 31, 2022. Presented in the table below is the stock-based compensation expense recorded in O&M expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2022	2021	2020
RSUs and PSUs	$ 26	$ 15	$ 19
Nonqualified employee stock purchase plan	2	2	2
Stock-based compensation	28	17	21
Income tax benefit	(6)	(4)	(5)
Stock-based compensation expense, net of tax	$ 22	$ 13	$ 16

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2022, 2021 and 2020.

Subject to limitations on deductibility imposed by the Federal income tax code, the Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for stock units. For each award, throughout the requisite service period, the Company records the tax impacts related to compensation costs as deferred income tax assets. The tax deductions in excess of the deferred benefits recorded throughout the requisite service period are recorded to the Consolidated Statements of Operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Units

During 2022, 2021 and 2020, the Company granted RSUs to certain employees under the 2017 Omnibus Plan. RSUs generally vest based on continued employment with the Company over periods ranging from one to three years. The RSUs are valued at the closing price of the Company's common stock on the date of the grant and the majority vest ratably over a three-year service period. These RSUs are amortized through expense over the requisite service period using the straight-line method.

During 2022, 2021 and 2020, the Company granted stock units to non-employee directors under the 2017 Omnibus Plan. The stock units were vested in full on the date of grant; however, distribution of the shares will be made within 30 days of the earlier of (i) 15 months after the date of the last annual meeting of shareholders, subject to any deferral election by the director, or (ii) the participant's separation from service. Because these stock units vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

Presented in the table below is RSU and director stock unit activity for the year ended December 31, 2022:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2021	48	$ 112.22
Granted	59	149.73
Vested	(47)	132.59
Forfeited	(9)	149.60
Non-vested total as of December 31, 2022	51	$ 130.43

As of December 31, 2022, $5 million of total unrecognized compensation cost related to the nonvested RSUs is expected to be recognized over the weighted average remaining life of 1.69 years. The total fair value of stock units and RSUs vested was $6 million, $9 million and $5 million for the years ended December 31, 2022, 2021 and 2020, respectively.

During 2022, 2021 and 2020, the Company granted PSUs to certain employees under the 2017 Omnibus Plan. The majority of PSUs vest ratably based on continued employment with the Company over the three-year performance period (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of one or more internal performance measures and, separately, a relative total shareholder return performance measure, over the Performance Period.

Presented in the table below is PSU activity for the year ended December 31, 2022:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2021	232	$ 139.40
Granted	170	115.12
Vested	(150)	105.11
Forfeited	(21)	148.83
Non-vested total as of December 31, 2022	231	$ 142.92

As of December 31, 2022, $6 million of total unrecognized compensation cost related to the nonvested PSUs is expected to be recognized over the weighted average remaining life of 0.93 years. The total fair value of PSUs vested was $24 million, $22 million and $18 million for the years ended December 31, 2022, 2021 and 2020, respectively.

PSUs granted with one or more internal performance measures are valued at the market value of the closing price of the Company's common stock on the date of grant. PSUs granted with a relative total shareholder return condition are valued using a Monte Carlo simulation model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. Presented in the table below are the weighted average assumptions used in the Monte Carlo simulation and the weighted average grant date fair values of PSUs granted for the years ended December 31:

	2022	2021	2020
Expected volatility	29.69%	28.59%	16.65%
Risk-free interest rate	1.90%	0.22%	1.28%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	$99.23	$229.22	$159.64

The grant date fair value of PSUs that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the "ESPP") that expires in 2027 through which employee participants (which excludes certain of the Company's executives) may use payroll deductions to acquire Company common stock at a purchase price of 85% of the fair market value of the common stock at the end of a three-month purchase period. A total of 2.0 million shares may be issued under the ESPP, and as of December 31, 2022, there were 1.5 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2022, 2021 and 2020, the Company issued approximately 82,000, 80,000 and 86,000 shares, respectively, under the ESPP.

Note 11: Long-Term Debt

The Company obtains long-term debt through AWCC primarily to fund capital expenditures of the Regulated Businesses and to lend funds to parent company to refinance debt and for other purposes. Presented in the table below are the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity	2022	2021
Long-term debt of AWCC: (a)					
Senior notes—fixed rate	2.30%-8.27%	3.88%	2023-2051	$ 9,765	$ 8,965
Private activity bonds and government funded debt—fixed rate	0.60%-2.45%	1.63%	2023-2031	189	190
Long-term debt of other American Water subsidiaries:					
Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.80%	2023-2051	749	739
Mortgage bonds—fixed rate	6.35%-9.19%	7.36%	2023-2039	534	534
Mandatorily redeemable preferred stock	8.47%-9.75%	8.64%	2024-2036	3	4
Finance lease obligations	12.25%	12.25%	2026	—	1
Long-term debt		3.87%		11,240	10,433
Unamortized debt discount, net (b)				(11)	(9)
Unamortized debt issuance costs				(19)	(23)
Less current portion of long-term debt				(281)	(57)
Total long-term debt				$ 10,929	$ 10,344

(a) This indebtedness is considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness.

(b) Includes debt discount, net of fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds and $740 million of the private activity bonds and government funded debt held by the Company's subsidiaries were collateralized as of December 31, 2022.

Long-term debt indentures contain a number of covenants that, among other things, limit, subject to certain exceptions, AWCC from issuing debt secured by the Company's consolidated assets. Certain long-term note indentures require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization (each as defined under the note indentures) of not more than 0.70 to 1.00. The ratio as of December 31, 2022, was 0.62 to 1.00. In addition, the Company has $891 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions, with a weighted average interest rate of 1.87%.

Presented in the table below are future sinking fund payments and debt maturities:

	Amount
2023	$ 281
2024	476
2025	598
2026	443
2027	688
Thereafter	8,754

Presented in the table below are the issuances of long-term debt in 2022:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	4.45%	4.45%	2032	$ 800
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.75%	1.03%	2027-2042	22
Total issuances					$ 822

The Company incurred debt issuance costs of $7 million related to the above issuances.

Presented in the table below are the retirements and redemptions of long-term debt in 2022 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.31%	2.24%	2024-2031	$ 1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.50%	2022-2051	13
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	8.49%	2022	1
Total retirements and redemptions					$ 15

On May 5, 2022, AWCC issued $800 million aggregate principal amount of its 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $792 million. AWCC used the net proceeds of the offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations and minimizes this risk by dealing only with leading, creditworthy financial institutions having long-term credit ratings of "A" or better.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling $400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately $4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022.

In November and December 2022, the Company entered into four 10-year treasury lock agreements, with notional amounts totaling $100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.56%. In January 2023, the Company entered into three additional 10-year treasury lock agreements, with notional amounts totaling $100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.35%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2022, 2021 or 2020.

Note 12: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility, and, in the future, issuances of equity. Additionally, proceeds from the aforementioned sales of HOS and the Company's New York subsidiary have been used primarily for capital investment in the Regulated Businesses. The revolving credit facility provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is October 2027. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods. As of December 31, 2022, AWCC had no outstanding borrowings and $78 million of outstanding letters of credit under the revolving credit facility, with $1.50 billion available to fulfill the Company's short-term liquidity needs and to issue letters of credit. The Company regularly evaluates the capital markets and closely monitors the financial condition of the financial institutions with contractual commitments in its revolving credit facility. Interest rates on advances under the facility are based on a credit spread to the Secured Overnight Financing Rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody Investors Service's and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt.

On October 26, 2022, AWCC and certain lenders amended and restated the credit agreement with respect to the revolving credit facility to, among other things, increase the maximum commitments under the facility from $2.25 billion to $2.75 billion and to extend the expiration date of the facility from March 2025 to October 2027. Also, effective October 26, 2022, the maximum aggregate principal amount of short-term borrowings authorized under AWCC's commercial paper program was increased from $2.10 billion to $2.60 billion.

On March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). The Term Loan Facility commitments terminated at maturity on March 19, 2021, and the $500 million of principal outstanding under the Term Loan Facility was repaid in full. Borrowings under the Term Loan Facility bore interest at a variable annual rate based on LIBOR, plus a margin of 0.80%.

Short-term debt consists of commercial paper and credit facility borrowings totaling $1,177 million and $584 million as of December 31, 2022 and 2021, respectively, or net of discount $1,175 million and $584 million as of December 31, 2022 and 2021, respectively. The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41%, for the year ended December 31, 2022. The weighted average interest rate on AWCC's outstanding short-term borrowings was 0.20%, for the year ended December 31, 2021. As of December 31, 2022, there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2022		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	$ 1,423	$ 72	$ 1,495

(a) Total remaining availability of $1.50 billion as of December 31, 2022, may be accessed through revolver draws.

	2021		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	$ 1,516	$ 74	$ 1,590

(a) Total remaining availability of $1.59 billion as of December 31, 2021, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2022 and 2021, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580
Available liquidity as of December 31, 2021	$ 116	$ 1,590	$ 1,706

Presented in the table below is the short-term borrowing activity for AWCC for the years ended December 31:

	2022	2021
Average borrowings	$ 505	$ 910
Maximum borrowings outstanding	1,177	1,647
Weighted average interest rates, as of December 31	4.41 %	0.20 %

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2022 was 0.62 to 1.00.

None of the Company's borrowings are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under AWCC's revolving credit facility.

Note 13: General Taxes

Presented in the table below are the components of general tax expense for the years ended December 31:

	2022	2021	2020
Property and capital stock	$ 108	$ 149	$ 140
Gross receipts and franchise	124	121	116
Payroll	36	39	36
Other general	13	12	11
Total general taxes	$ 281	$ 321	$ 303

Note 14: Income Taxes

Presented in the table below are the components of income tax expense for the years ended December 31:

	2022	2021	2020
Current income taxes:			
State	$ 26	$ 72	$ 8
Federal	82	75	—
Total current income taxes	$ 108	$ 147	$ 8
Deferred income taxes:			
State	$ 24	$ 10	$ 49
Federal	57	221	159
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	80	230	207
Provision for income taxes	$ 188	$ 377	$ 215

Presented in the table below is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2022	2021	2020
Income tax at statutory rate	21.0 %	21.0 %	21.0 %
Increases (decreases) resulting from:			
State taxes, net of federal taxes	4.1 %	3.9 %	4.8 %
EADIT	(6.5)%	(3.6)%	(2.1)%
Tax impact due to the sale of HOS	— %	1.6 %	— %
Other, net	0.1 %	0.1 %	(0.4)%
Effective tax rate	18.7 %	23.0 %	23.3 %

Presented in the table below are the components of the net deferred tax liability as of December 31:

	2022	2021
Deferred tax assets:		
Advances and contributions	$ 351	$ 439
Tax losses and credits	19	10
Regulatory income tax assets	203	301
Pension and other postretirement benefits	64	50
Other	140	144
Total deferred tax assets	777	944
Valuation allowance	(11)	(10)
Total deferred tax assets, net of allowance	$ 766	$ 934
Deferred tax liabilities:		
Property, plant and equipment	$ 2,872	$ 3,087
Deferred pension and other postretirement benefits	64	69
Other	249	180
Total deferred tax liabilities	3,185	3,336
Total deferred tax liabilities, net of deferred tax assets	$ (2,419)	$ (2,402)

The Company recognized no federal net operating loss ("NOL") carryforwards as of December 31, 2022 and 2021. The Company fully utilized its federal NOL carryforwards in 2021 due to the sale of HOS, and therefore, no valuation allowance is required.

As of December 31, 2022 and 2021, the Company had state NOLs of $240 million and $123 million, respectively, a portion of which are offset by a valuation allowance as the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards expire in 2023 through 2042.

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for years on or before 2015. The Company has state income tax examinations in progress and does not expect material adjustments to result.

Presented in the table below are the changes in gross liability, excluding interest and penalties, for unrecognized tax benefits:

	Amount
Balance as of January 1, 2021	$ 122
Increases in current period tax positions	23
Decreases in prior period measurement of tax positions	(5)
Balance as of December 31, 2021	$ 140
Increases in current period tax positions	26
Decreases in prior period measurement of tax positions	(8)
Balance as of December 31, 2022	$ 158

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. As discussed above, the Company utilized its remaining federal NOLs in 2021, and therefore this federal tax attribute will not be available to reduce the federal liabilities for uncertain tax positions or interest accrued as presented on the Company's Consolidated Financial Statements.

If the Company sustains all of its positions as of December 31, 2022, an unrecognized tax benefit of $10 million, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an immaterial amount of interest and penalties related to its tax positions as of December 31, 2022 and 2021.

Presented in the table below are the changes in the valuation allowance:

	Amount
Balance as of January 1, 2020	$ 21
Decreases in current period tax positions	(2)
Balance as of December 31, 2020	$ 19
Decreases in current period tax positions	(9)
Balance as of December 31, 2021	$ 10
Increases in current period tax positions	1
Balance as of December 31, 2022	$ 11

Note 15: Employee Benefits

Overview of Pension and Other Postretirement Benefits Plans

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001, except for specific eligible groups specified in the plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001, and non-union employees hired on or after January 1, 2006, are provided with a defined contribution plan that includes a 5.25% of base pay Company-funded defined contribution account. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental nonqualified pension plans that provide additional retirement benefits to certain employees.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional cash contributions and/or available prefunding balances if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006 ("PPA"). The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 3—Regulatory Matters for additional information. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

In December 2022, the Company amended the American Water Pension Plan ("AWPP"), a tax-qualified defined benefit pension plan, to restructure it as of December 31, 2022. The restructuring involved the spin-off of certain inactive participants from the existing AWPP into a separate tax-qualified defined benefit pension plan, AWPP Inactive. Benefits offered to the plan participants remain unchanged. Actuarial gains and losses associated with AWPP Inactive will be amortized over the average remaining life expectancy of the inactive participants, which increases the amortization period from approximately 7 years to 18 years. The longer amortization period is expected to lower the Company's pre-tax pension expense by approximately $5 million in 2023. The actuarial gains and losses associated with the AWPP will continue to be amortized over the average remaining service period for active participants. The Company remeasured the pension plan obligation and assets for each plan as of December 31, 2022.

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed funds in the form of separate accounts, commingled funds and limited partnerships, including equities and fixed income securities.

Pension Plan Assets

The investment policy guideline of the pension plan is focused on diversification, improving returns and reducing the volatility of the funded status over a long-term horizon. The investment policy guidelines of the postretirement plans focus on the appropriate strategy given the funded status of the plans. None of the Company's securities are included in pension or other postretirement benefit plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of December 31, 2022, the fair values and asset allocations of the pension plan assets include the AWPP, AWPP Inactive, and the Shorelands Water Company, Inc. Pension Plan.

As a result of the sale of the Company's New York subsidiary on January 1, 2022, there was a transfer of plan assets from the Company to Liberty. The assets transferred were not a significant percentage of the Company's overall pension and other postretirement benefit plans.

Presented in the tables below are the fair values and asset allocations of the pension plan assets as of December 31, 2022 and 2021, respectively, by asset category:

Asset Category	2023 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2022
Cash		$ 36	$ 36	$ —	$ —	3 %
Equity securities:	37 %					
U.S. large cap		142	142	—	—	10 %
U.S. small cap		79	79	—	—	6 %
International		386	2	264	120	27 %
Real estate fund		154	—	—	154	11 %
REITs		6	—	6	—	— %
Fixed income securities:	63 %					
U.S. Treasury securities and government bonds		126	119	7	—	9 %
Corporate bonds		418	—	418	—	30 %
Mortgage-backed securities		8	—	8	—	1 %
Municipal bonds		21	—	21	—	1 %
Long duration bond fund		3	—	3	—	— %
Guarantee annuity contracts		34	—	—	34	2 %
Total	100 %	$ 1,413	$ 378	$ 727	$ 308	100 %

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2021
Cash		$ 54	$ 54	$ —	$ —	3 %
Equity securities:	50 %					
U.S. large cap		217	217	—	—	11 %
U.S. small cap		113	113	—	—	6 %
International		516	7	354	155	26 %
Real estate fund		141	—	—	141	7 %
REITs		9	—	9	—	— %
Fixed income securities:	50 %					
U.S. Treasury securities and government bonds		256	249	7	—	13 %
Corporate bonds		601	—	601	—	30 %
Mortgage-backed securities		9	—	9	—	— %
Municipal bonds		25	—	25	—	1 %
Long duration bond fund		10	7	3	—	1 %
Guarantee annuity contracts		40	—	—	40	2 %
Total	100 %	$ 1,991	$ 647	$ 1,008	$ 336	100 %

Presented in the tables below are a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for 2022 and 2021, respectively:

	Level 3
Balance as of January 1, 2022	$ 336
Actual return on assets	(1)
Purchases, issuances and settlements, net	(27)
Balance as of December 31, 2022	$ 308

	Level 3
Balance as of January 1, 2021	$ 356
Actual return on assets	41
Purchases, issuances and settlements, net	(61)
Balance as of December 31, 2021	$ 336

Other Postretirement Benefit Plan Assets

The Company's postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns.

Upon evaluating prior plan changes, Company funding and market performance, in December 2022, the Company completed plan amendments to spin-off and merge a portion of the American Water Retiree Welfare Plan ("Retiree Welfare Plan"), with and into the Company's medical plan for active employees ("Active Medical Plan"), in order to repurpose the over-funded portion of the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust. Benefits offered to the plan participants remain unchanged. As a result of these changes, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of Active Medical Plan participants ("Active VEBA"). The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately $194 million of assets for purposes of paying active union employee medical benefits. The Company recorded the transfer of assets as a negative contribution and therefore did not record a gain or loss, as permitted by accounting guidance. See Note 18—Fair Value of Financial Information, for additional information on accounting for the assets as investments in debt and equity securities as of December 31, 2022.

The Company engages third-party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g., fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to long duration fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process. For the Bargained VEBA trust, its asset structure is designed to meet the cash flows of the liabilities. This design reduces the plan's exposure to changes in interest rates.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary. The Retiree Welfare Plan is funded by the Bargained VEBA trust, the Non-Bargained Retiree Voluntary Employees' Beneficiary Association ("Non-Bargained VEBA") trust, and the American Water Life Insurance Voluntary Employees' Beneficiary Association ("Life VEBA") Trust.

Presented in the tables below are the fair values and asset allocations of the postretirement benefit plan assets as of December 31, 2022 and 2021, respectively, by asset category:

Asset Category	2023 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2022
Bargained VEBA:						
Cash		$ 3	$ 3	$ —	$ —	2 %
Equity securities:	— %					
U.S. large cap		—	—	—	—	— %
International		—	—	—	—	— %
Fixed income securities:	100 %					
U.S. Treasury securities and government bonds		131	72	59	—	97 %
Long duration bond fund		1	1	—	—	1 %
Total bargained VEBA	100 %	$ 135	$ 76	$ 59	$ —	100 %
Non-bargained VEBA:						
Cash		$ 1	$ 1	$ —	$ —	1 %
Equity securities:	60 %					
U.S. large cap		40	40	—	—	34 %
International		29	29	—	—	25 %
Fixed income securities:	40 %					
Core fixed income bond fund (a)		47	—	47	—	40 %
Total non-bargained VEBA	100 %	$ 117	$ 70	$ 47	$ —	100 %
Life VEBA:						
Cash		$ 2	$ 2	$ —	$ —	100 %
Equity securities:	— %					
U.S. large cap		—	—	—	—	— %
Fixed income securities:	100 %					
Core fixed income bond fund (a)		—	—	—	—	— %
Total life VEBA	100 %	$ 2	$ 2	$ —	$ —	100 %
Total	100 %	$ 254	$ 148	$ 106	$ —	100 %

(a) Includes cash for margin requirements.

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of 12/31/2021
Bargained VEBA:						
Cash		$ 10	$ 10	$ —	$ —	3 %
Equity securities:	4 %					
U.S. large cap		18	18	—	—	5 %
International		1	1	—	—	— %
Fixed income securities:	96 %					
U.S. Treasury securities and government bonds		363	279	84	—	91 %
Long duration bond fund		5	5	—	—	1 %
Total bargained VEBA	100 %	$ 397	$ 313	$ 84	$ —	100 %
Non-bargained VEBA:						
Cash		$ 2	$ 2	$ —	$ —	— %
Equity securities:	60 %					
U.S. large cap		54	54	—	—	39 %
International		35	35	—	—	25 %
Fixed income securities:	40 %					
Core fixed income bond fund (a)		49	—	49	—	36 %
Total non-bargained VEBA	100 %	$ 140	$ 91	$ 49	$ —	100 %
Life VEBA:						
Cash		$ 1	$ 1	$ —	$ —	100 %
Equity securities:	70 %					
U.S. large cap		$ —	$ —	$ —	$ —	— %
Fixed income securities:	30 %					
Core fixed income bond fund (a)		—	—	—	—	— %
Total life VEBA	100 %	$ 1	$ 1	$ —	$ —	100 %
Total	100 %	$ 538	$ 405	$ 133	$ —	100 %

(a) Includes cash for margin requirements.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities—For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Certain equity securities are valued based on quoted prices in active markets and categorized as Level 1. Other equities, such as international securities held in the pension plan, are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since net asset value is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are categorized as Level 2. For limited partnerships, the assets as a whole are categorized as Level 3 due to the fact that the partnership provides the pricing and the pricing inputs are less readily observable. In addition, the limited partnership vehicle cannot be readily traded.

Fixed-income securities—The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. They are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Exchange-traded options and futures, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1.

Real estate fund—Real estate fund is categorized as Level 3 as the fund uses significant unobservable inputs for fair value measurement and the vehicle is in the form of a limited partnership.

REITs—REITs are invested in commingled funds. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since the net asset value is not directly observable for the commingled funds, they are categorized as Level 2.

Guaranteed annuity contracts—Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily.

Benefit Obligations, Plan Assets and Funded Status

Presented in the table below is a rollforward of the changes in the benefit obligation and plan assets for the two most recent years, for all plans combined:

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Change in benefit obligation:				
Benefit obligation as of January 1,	$ 2,294	$ 2,386	$ 342	$ 382
Service cost	30	36	3	4
Interest cost	64	64	10	10
Plan participants' contributions	—	—	3	2
Plan amendments	—	—	6	—
Actuarial loss (gain)	(582)	(46)	(77)	(26)
Divestiture	(86)	—	(4)	—
Settlements (a)	—	(6)	—	—
Gross benefits paid	(142)	(140)	(28)	(31)
Federal subsidy	—	—	—	1
Benefit obligation as of December 31,	$ 1,578	$ 2,294	$ 255	$ 342
Change in plan assets:				
Fair value of plan assets as of January 1,	$ 1,991	$ 1,990	$ 538	$ 556
Actual return on plan assets	(401)	108	(68)	9
Employer contributions	39	39	12	1
Plan participants' contributions	—	—	3	2
VEBA transfer	—	—	(194)	—
Divestiture	(74)	—	(9)	—
Settlements (a)	—	(6)	—	—
Benefits paid	(142)	(140)	(28)	(30)
Fair value of plan assets as of December 31,	$ 1,413	$ 1,991	$ 254	$ 538
Funded value as of December 31,	$ (165)	$ (303)	$ (1)	$ 196
Amounts recognized on the balance sheet:				
Noncurrent asset	$ 75	$ —	$ —	$ 193
Current liability	(5)	(2)	—	—
Noncurrent liability	(235)	(285)	(1)	(1)
(Liabilities) assets related to assets held for sale (b)	—	(16)	—	4
Net amount recognized	$ (165)	$ (303)	$ (1)	$ 196

(a) The Company paid $6 million of a lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan for the year ended December 31, 2021.

(b) These balances are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale and liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Presented in the table below are the components of accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Net actuarial loss	$ 289	$ 381	$ 45	$ 35
Prior service credit	(10)	(14)	(145)	(186)
Net amount recognized	$ 279	$ 367	$ (100)	$ (151)
Regulatory assets (liabilities)	$ 251	$ 317	$ (100)	$ (151)
Accumulated other comprehensive income	28	50	—	—
Total	$ 279	$ 367	$ (100)	$ (151)

Presented in the tables below are the aggregate projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for pension plans with a projected obligation in excess of plan assets as of December 31, 2022 and 2021:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2022	2021
Projected benefit obligation	$ 872	$ 2,294
Fair value of plan assets	632	1,991

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2022	2021
Accumulated benefit obligation	$ 793	$ 2,138
Fair value of plan assets	632	1,991

The accumulated postretirement plan assets exceed benefit obligations for all of the Company's other postretirement benefit plans, except for the Northern Illinois Retiree Welfare Plan, of which the accumulated postretirement benefit obligation is inconsequential for all periods presented.

Contributions

The PPA requires that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to or greater than the minimum required contributions or the normal cost in 2023 to the qualified pension plans. Contributions may be in the form of cash contributions as well as available prefunding balances.

Presented in the table below is information about the expected cash flows for the pension and postretirement benefit plans:

	Pension Benefits	Other Benefits
2023 expected employer contributions:		
To plan trusts	$ 39	$ —
To plan participants	5	—

Estimated Future Benefit Payments

Presented in the table below are the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2023	$ 117	$ 24	$ 1
2024	115	24	1
2025	117	25	1
2026	118	24	1
2027	119	24	1
2028-2032	585	108	3

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Assumptions

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

Presented in the table below are the significant assumptions related to the pension and other postretirement benefit plans:

	Pension Benefits			Other Benefits		
	2022	2021	2020	2022	2021	2020
Weighted average assumptions used to determine December 31 benefit obligations:						
Discount rate	5.58%	2.94%	2.74%	5.60%	2.90%	2.56%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from	graded from	graded from
				7.00% in 2023	6.00% in 2022	6.25% in 2021
				to 5.00% in 2031+	to 5.00% in 2026+	to 5.00% in 2026+
Weighted average assumptions used to determine net periodic cost:						
Discount rate	2.94%	2.74%	3.44%	2.90%	2.56%	3.36%
Expected return on plan assets	6.50%	6.50%	6.50%	3.60%	3.67%	3.68%
Rate of compensation increase	3.51%	3.51%	2.97%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from	graded from	graded from
				6.00% in 2022	6.25% in 2021	6.50% in 2020
				to 5.00% in 2026+	to 5.00% in 2026+	to 5.00% in 2026+

NOTE "N/A" in the table above means assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns. The Company's pension expense increases as the expected return on assets decreases. The Company used an expected return on plan assets of 6.50% to estimate its 2022 pension benefit costs, and an expected blended return based on weighted assets of 3.60% to estimate its 2022 other postretirement benefit costs.

For the years ended December 31, 2022 and 2021, the Company's mortality assumption utilized the Pri-2012 base mortality table and the new MP-2021 mortality improvement scale. For the year ended December 31, 2020, the Company's mortality assumption utilized the Pri-2012 base mortality table and the MP-2020 mortality improvement scale.

Components of Net Periodic Benefit Cost

Presented in the table below are the components of net periodic benefit costs for the years ended December 31:

	2022	2021	2020
Components of net periodic pension benefit cost:			
Service cost	$ 30	$ 36	$ 31
Interest cost	64	64	73
Expected return on plan assets	(122)	(126)	(111)
Amortization of prior service (credit) cost	(3)	(3)	(3)
Amortization of actuarial loss	21	27	30
Settlements (a)	—	—	1
Net periodic pension benefit cost	$ (10)	$ (2)	$ 21
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial (gain) loss	$ (14)	$ 1	$ 12
Amortization of actuarial loss	(3)	(4)	(3)
Total recognized in other comprehensive income	(17)	(3)	9
Total recognized in net periodic benefit cost and other comprehensive income	$ (27)	$ (5)	$ 30
Components of net periodic other postretirement benefit (credit) cost:			
Service cost	$ 3	$ 4	$ 4
Interest cost	10	10	12
Expected return on plan assets	(19)	(21)	(19)
Amortization of prior service credit	(31)	(32)	(34)
Amortization of actuarial loss	—	—	2
Net periodic other postretirement benefit (credit) cost	$ (37)	$ (39)	$ (35)

(a) Due to the amount of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan, settlement charges of less than $1 million were recorded for the year ended December 31, 2021. In accordance with existing regulatory accounting treatment, the Company has maintained the settlement charge in regulatory assets on the Consolidated Balance Sheets. The amount is being amortized in accordance with existing regulatory practice.

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company's 401(k) savings plan expenses totaled $13 million, $14 million and $12 million for 2022, 2021 and 2020, respectively. Additionally, the Company's 5.25% of base pay defined contribution benefit expenses totaled $16 million, $16 million and $15 million for 2022, 2021 and 2020, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 16: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to $756 million as of December 31, 2022.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Presented in the table below are the future annual commitments related to minimum quantities of purchased water having non-cancelable contracts:

	Amount
2023	$ 68
2024	54
2025	53
2026	52
2027	52
Thereafter	501

The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. See Note 4—Revenue Recognition for additional information regarding the Company's performance obligations.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2022, the Company has accrued approximately $5 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $3 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 16—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. On August 26, 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 5, 2022 order. The Writ Petition has been supported by an amicus brief filed by certain water and utility industry trade groups. On February 9, 2023, the Supreme Court of Appeals accepted the Writ Petition by issuing a Rule to Show Cause and scheduling oral argument for April 26, 2023.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order," and, together with the 2009 Order, the "Orders") approving a deadline of December 31, 2021, for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the Orders.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated incurred costs plus AFUDC, subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $206 million in aggregate costs as of December 31, 2022, related to the Water Supply Project, which includes $51 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and in November 2021, Cal Am filed an application with the CPUC that sought review and approval of the amended and restated water purchase agreement. Cal Am also requested rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This requested amount is in addition to, and consistent in regulatory treatment with, the prior $50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

On December 5, 2022, the CPUC issued a final decision that authorizes Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately $62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities.

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision. Cal Am is requesting recovery of its infrastructure costs for the GWR Project expansion that had not been included in the December 2022 final decision. Cal Am believes that the December 2022 final decision is contrary to the CPUC's precedent and that obtaining recovery of these infrastructure costs is a key component of the GWR Project expansion and Cal Am's ability to meet the future water supply needs of its customers in Monterey. This application remains pending.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am's appeal of the City's denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

On October 5, 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

On November 18, 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. On December 29, 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency, and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the MPWSP slant wells. Cal Am is named as a real party in interest. This matter remains pending.

Following the issuance of the coastal development permit, Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2022, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2023 and future years may be impacted by a number of factors, including without limitation continued drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The Orders remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the Orders.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

As of December 31, 2022, $0.5 million of the aggregate Settlement amount of $126 million remains reflected in accrued liabilities, and $0.5 million in an offsetting insurance receivable remains reflected in other current assets on the Consolidated Balance Sheets pending resolution of all asserted actual or potential claims associated with this matter. The amount reflected in accrued liabilities reflects the status of the liability and the offsetting insurance receivable reflected in other current assets, each as of as of December 31, 2022.

Note 17: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations for the years ended December 31:

	2022	2021	2020
Numerator:			
Net income attributable to common shareholders	$ 820	$ 1,263	$ 709
Denominator:			
Weighted average common shares outstanding—Basic	182	182	181
Effect of dilutive common stock equivalents	—	—	1
Weighted average common shares outstanding—Diluted	182	182	182

The effect of dilutive common stock equivalents is related to outstanding stock options, RSUs and PSUs granted under the Company's 2007 Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Plan, as well as estimated shares to be purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2022, 2021 and 2020, because their effect would have been anti-dilutive under the treasury stock method.

Note 18: Fair Value of Financial Information

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note from the sale of HOS is $720 million as of December 31, 2022 and 2021. This amount represents the principal amount owed under the seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the seller note approximated $686 million and $720 million as of December 31, 2022 and 2021, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The seller note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of December 31, 2022				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt (excluding finance lease obligations)	11,207	8,599	49	1,427	10,075

	As of December 31, 2021				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 4	$ —	$ —	$ 6	$ 6
Long-term debt (excluding finance lease obligations)	10,396	10,121	60	1,637	11,818

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

Level 3—Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 32	$ —	$ —	$ 32
Rabbi trust investments	21	—	—	21
Deposits	7	—	—	7
Other investments				
Money market and other	61	—	—	61
Fixed-Income Securities	147	6	—	153
Contingent cash payment from the sale of HOS	—	—	72	72
Mark-to-market derivative asset	—	1	—	1
Total assets	268	7	72	347
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total net assets	$ 244	$ 7	$ 72	$ 323

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 21	$ —	$ —	$ 21
Rabbi trust investments	23	—	—	23
Deposits	27	—	—	27
Other investments	17	—	—	17
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	88	—	72	160
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total net assets	$ 61	$ —	$ 72	$ 133

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of treasury lock agreements, classified as cash flow hedges, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments— As a result of the Retiree Welfare Plan changes discussed in Note 15—Employee Benefits, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of the Active VEBA. The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately $194 million of assets for purposes of paying active union employee medical benefits.

The investments in the Active VEBA primarily consist of money market funds and available-for-sale fixed income securities. The money market and other investments have original maturities of three months or less when purchased. The fair value measurement of the money market and other investments is based on observable market prices and therefore included in the recurring fair value measurements hierarchy as Level 1. The available-for-sale fixed income securities are primarily investments in U.S. Treasury securities and government bonds. The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets. Certain U.S. Treasury securities are based on prices that reflect observable market information, such as actual trade information of similar securities, and are therefore categorized as Level 2, because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. The Company includes other investments of $67 million and $147 million in Other current assets and Other long-term assets, respectively, on the Consolidated Balance Sheet as of December 31, 2022. Other investments as of December 31, 2021, are included in other current assets on the Consolidated Balance Sheet.

The fair value of the Company's available-for-sale fixed income securities, summarized by contractual maturities, as of December 31, 2022, is as follows:

	Amount
Other investments - Available-for-sale fixed-income securities	
Less than one year	$ 61
1 year - 5 years	79
5 years - 10 years	3
Greater than 10 years	10
Total	$ 153

Contingent cash payment from the sale of HOS—The Company's contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other current assets on the Consolidated Balance Sheets. The fair value of the contingent cash payment is $72 million, which is reflective of changes in the benchmark interest rate and estimated using the probability of the outcome of receipt of the $75 million, a Level 3 input.

Note 19: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 37 years, six years, and four years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $145 million and $146 million as of December 31, 2022 and 2021, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $4 million in 2023 through 2027, and $45 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were $12 million, $13 million and $14 million for the years ended December 31, 2022, 2021 and 2020, respectively.

For the year ended December 31, 2022, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, was $12 million. For the year ended December 31, 2022, ROU assets obtained in exchange for new operating lease liabilities was $5 million.

As of December 31, 2022, the weighted-average remaining lease term of the finance lease and operating leases were three years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at December 31, 2022, are $9 million in 2023, $10 million in 2024, $8 million in 2025, $7 million in 2026, $6 million in 2027 and $76 million thereafter. At December 31, 2022, imputed interest was $39 million.

Note 20: Segment Information

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment is the largest component of the Company's business and includes subsidiaries that provide water and wastewater services to customers in 14 states.

The Company also operates other market-based businesses, primarily MSG, which provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These market-based businesses do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses. The Company's former HOS business, which was sold in the fourth quarter of 2021, was included in "Market-Based Businesses" in the Company's Form 10-K for the year ended December 31, 2021. As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and are shown as Other. Segment results for the years ended December 31, 2021 and 2020, have been adjusted retrospectively to reflect this change.

The accounting policies of the segments are the same as those described in Note 2—Significant Accounting Policies. The Regulated Businesses segment includes intercompany costs that are allocated by Service Company and intercompany interest that is charged by AWCC, both of which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues include the sale of water from a regulated subsidiary to market-based subsidiaries, leased office space, and furniture and equipment provided by the market-based subsidiaries to regulated subsidiaries. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information as of and for the years ended December 31:

	2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,505	$ 287	$ 3,792
Depreciation and amortization	633	16	649
Total operating expenses, net	2,242	277	2,519
Interest expense	(314)	(119)	(433)
Interest income	2	50	52
Gain or (loss) on sale of businesses	—	19	19
Income before income taxes	1,042	(34)	1,008
Provision for income taxes	188	—	188
Net income attributable to common shareholders	854	(34)	820
Total assets	25,038	2,749	27,787
Cash paid for capital expenditures	2,284	13	2,297

	2021		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,384	$ 546	$ 3,930
Depreciation and amortization	601	35	636
Total operating expenses, net	2,227	507	2,734
Interest expense	(290)	(113)	(403)
Interest income	1	3	4
Gain or (loss) on sale of businesses	(1)	748	747
Income before income taxes	962	678	1,640
Provision for income taxes	172	205	377
Net income attributable to common shareholders	789	474	1,263
Total assets	23,365	2,710	26,075
Cash paid for capital expenditures	1,747	17	1,764

	2020		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,255	$ 522	$ 3,777
Depreciation and amortization	562	42	604
Total operating expenses, net	2,102	427	2,529
Interest expense	(293)	(104)	(397)
Interest income	2	—	2
Income before income taxes	932	(8)	924
Provision for income taxes	217	(2)	215
Net income attributable to common shareholders	715	(6)	709
Total assets	22,357	2,409	24,766
Cash paid for capital expenditures	1,804	18	1,822

Note 21: Unaudited Quarterly Data

Presented in the tables below are supplemental, unaudited, consolidated, quarterly financial data for each of the four quarters in the years ended December 31, 2022 and 2021, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2022			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 842	$ 937	$ 1,082	$ 931
Operating income	246	327	439	261
Net income attributable to common shareholders	158	218	297	147
Basic earnings per share: (a)				
Net income attributable to common shareholders	$ 0.87	$ 1.20	$ 1.63	$ 0.81
Diluted earnings per share:				
Net income attributable to common shareholders	0.87	1.20	1.63	0.81

(a) Amounts may not sum due to rounding.

	2021			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 888	$ 999	$ 1,092	$ 951
Operating income	229	330	417	220
Net income attributable to common shareholders	133	207	278	645
Basic earnings per share: (a)				
Net income attributable to common shareholders	$ 0.73	$ 1.14	$ 1.53	$ 3.55
Diluted earnings per share:				
Net income attributable to common shareholders	0.73	1.14	1.53	3.55

(a) Amounts may not sum due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer have concluded that, as of December 31, 2022, the Company's disclosure controls and procedures were effective at a reasonable level of assurance. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's Chief Executive Officer and its Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect its transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of its management and its directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, assessed the effectiveness of its internal control over financial reporting, as of December 31, 2022, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the Company's evaluation under the framework in *Internal Control—Integrated Framework (2013)*, its management concluded that its internal control over financial reporting was effective as of December 31, 2022.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during its last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 15, 2023, Karl F. Kurz, the Company's Board Chair, was notified by George MacKenzie that Mr. MacKenzie does not wish to be considered as a candidate for re-election at the Company's 2023 Annual Meeting of Shareholders. Mr. MacKenzie's notification was not due to any known disagreement on any matter relating to the Company's operations, policies or practices. Mr. MacKenzie has been a director of the Company since 2003 and served as Chairman of the Board from 2006 until 2018. He currently serves as a member of the Audit, Finance and Risk Committee and the Nominating/Corporate Governance Committee. The Company wishes to thank Mr. MacKenzie for his many years of service to the Board of Directors.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not set forth below or in Item 1—Business—Executive Officers of this Annual Report on Form 10-K, is incorporated by reference from the Company's Proxy Statement for the 2023 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Board of Directors and Corporate Governance" and "Proposal 1—Election of Directors."

The Company has adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on the Company's website at *https://amwater.com*. The Company intends to post on its website any amendments to the Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2023 Annual Meeting of Shareholders, under the captions entitled "Proposal 1—Election of Directors—Director Compensation Table," "Compensation Discussion and Analysis," "Executive Compensation" (excluding the subsection "Pay Versus Performance"), "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" (with the latter report being furnished, and not filed, in this Annual Report on Form 10-K).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2023 Annual Meeting of Shareholders, under the captions entitled "Certain Beneficial Ownership Matters—Security Ownership of Management," "Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2023 Annual Meeting of Shareholders, under the caption entitled "Board of Directors and Corporate Governance—Board Review of Related Person Transactions" and "Proposal 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2023 Annual Meeting of Shareholders, under the caption entitled "Proposal 4—Ratification of Appointment of Independent Registered Public Accounting Firm—Fees Paid to Independent Registered Public Accounting Firm" and "Proposal 4—Ratification of Appointment of Independent Registered Public Accounting Firm—Pre-Approval of Services Provided by Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents have been filed as a part of this Annual Report on Form 10-K:

1. The financial statements listed in the "Index to Consolidated Financial Statements" contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).

2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.

3. Exhibits. The list of documents contained in "Exhibit Index" is provided in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company's or its subsidiaries' securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1.1#	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among American Water Works Company, Inc., Liberty Utilities (Eastern Water Holdings) Corp. and New York American Water Company, Inc., with respect to the Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
2.2#	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, American (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Works Company, Inc. and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 8, 2022).
4.1	Indenture, dated as of October 22, 2007, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.4	Officers' Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.5	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.6	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.7	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.8	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.9	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.10	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.11	Officers' Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).

Exhibit Number	Exhibit Description
4.12	Officers' Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.13	Officer's Certificate, dated August 9, 2018, establishing the 3.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.14	Officer's Certificate, dated August 9, 2018, establishing the 4.200% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.15	Officers' Certificate, dated May 13, 2019, establishing the 3.450% Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.16	Officers' Certificate, dated May 13, 2019, establishing 4.150% Senior Notes due 2049 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.17	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 2.800% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.18	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 3.450% Senior Notes due 2050 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.19	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.20	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.21	Officers' Certificate of American Water Capital Corp., dated May 5, 2022, establishing the terms and authorizing the issuance of the 4.450% Senior Notes due 2032 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 5, 2022).
4.22	Description of American Water Works Company, Inc.'s Equity Securities (filed herewith).
4.23	Note Purchase Agreement, dated May 15, 2008, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 19, 2008) with respect to the 6.55% Series H Senior Notes due May 15, 2023.
10.1#	Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed on October 31, 2022).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Offer Letter for Employment, dated as of February 2, 2022, between American Water Works Company, Inc. and M. Susan Hardwick (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 16, 2022).
10.4*	Offer Letter for Employment, dated February 16, 2021, between American Water Works Company, Inc. and Cheryl Norton (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.5*	Offer Letter for Employment, dated January 21, 2022, between American Water Works Company, Inc. and James H. Gallegos (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.6*	Offer Letter for Employment, dated April 27, 2022, between American Water Works Company, Inc. and John C. Griffith (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 27, 2022).
10.7*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.8*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.8.1*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of June 1, 2018 (incorporated by reference to Exhibit 10.9.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 19, 2019).
10.8.2*	Amendment No. 2019-1 to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as amended and restated, effective as of November 1, 2019 (incorporated by reference to Exhibit 4.1.2 to American Water Works Company, Inc.'s Registration Statement on Form S-8, File No. 333-235598, filed December 19. 2019).
10.9*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.10.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.10.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).

Exhibit Number	Exhibit Description
10.11*	Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 31, 2018).
10.12.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.12.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.12.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.12.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.12.5*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.3.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.12.6*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.12.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.2.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.12.8*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.12.9*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.12.10*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.13.1*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.13.2*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.13.3*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.13.4*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant.(incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.5*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.6*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.7*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.8*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.9*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.10*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.13.11*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.13.12*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.13.13*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.13.14*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.13.15*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form B-1 (corrected) (incorporated by reference to Exhibit 10.14.33 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.13.16*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.17*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.18*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).

Exhibit Number	Exhibit Description
10.13.19*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.14 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.20*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.21*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-2 (for CEO and COO) (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.22*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.23*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-1 (as amended) (filed herewith).
10.13.24*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-2 (as amended, for CEO and COO) (filed herewith).
10.13.25*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-3 (as amended, for M. Susan Hardwick) (filed herewith).
10.13.26*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.27*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.28*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.29*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.30*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.13.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 27, 2022).
10.13.32*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Stock Unit Grant Form for Non-Employee Directors elected on December 7, 2022 (filed herewith).
10.14*	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.15*	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.16#*	American Water Works Company, Inc. Pension Plan for Employees, as amended and restated effective December 31, 2022 (filed herewith).
10.17#	Secured Seller Note Agreement, dated December 9, 2021, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
10.18	Revenue Share Agreement, dated December 9, 2021, by and among American Water Works Company, Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC and American Water Resources Holdings, LLC (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
22.1	Guaranteed Securities (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

The Stock Purchase Agreement filed as Exhibit 2.1.1, the Membership Interest Purchase Agreement filed as Exhibit 2.2, and the Secured Seller Note Agreement filed as Exhibit 10.17 to this Annual Report on Form 10-K have been included to provide investors and security holders with information regarding the terms of the respective agreements. The filing of these agreements is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the respective agreements (i) were made by the parties thereto only for purposes of that respective agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the respective agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the respective agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the respective agreements instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties to the respective agreements that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties to the respective agreements thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the respective agreements may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The respective agreements should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 15th day of February, 2023.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 15th day of February, 2023, by the following persons in the capacities indicated.

/s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer and Director)

/s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ MELISSA K. WIKLE

Melissa K. Wikle
Chief Accounting Officer
(Principal Accounting Officer)

/s/ LAURIE P. HAVANEC

Laurie P. Havanec
(Director)

/s/ JULIA L. JOHNSON

Julia L. Johnson
(Director)

/s/ GEORGE MACKENZIE

George MacKenzie
(Director)

/s/ JAMES G. STAVRIDIS

James G. Stavridis
(Director)

/s/ JEFFREY N. EDWARDS

Jeffrey N. Edwards
(Director)

/s/ MARTHA CLARK GOSS

Martha Clark Goss
(Director)

/s/ KIMBERLY J. HARRIS

Kimberly J. Harris
(Director)

/s/ PATRICIA L. KAMPLING

Patricia L. Kampling
(Director)

/s/ KARL F. KURZ

Karl F. Kurz
(Board Chair)

/s/ MICHAEL L. MARBERRY

Michael L. Marberry
(Director)

Exhibit 4.22

DESCRIPTION OF AMERICAN WATER WORKS COMPANY, INC.'S EQUITY SECURITIES

The following description of the common stock, par value $0.01 per share (the "Common Stock"), of American Water Works Company, Inc., a Delaware corporation (the "Company"), is not intended to be complete. For more information regarding the Common Stock, please refer to the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation"), and the Company's Amended and Restated Bylaws (the "Bylaws"), which have been included as Exhibit 3.1 and Exhibit 3.2, respectively, to the Company's Annual Report on Form 10-K for the year ended December 31, 2022. The following descriptions are based on the Certificate of Incorporation and Bylaws in effect as of February 15, 2023. The terms and provisions of the Certificate of Incorporation and Bylaws are hereby incorporated by reference herein. The terms of these securities also may be affected by the General Corporation Law of the State of Delaware (the "DGCL").

General

The Company's authorized capital stock consists of 500,000,000 shares of Common Stock and 50,000,000 shares of preferred stock. As of January 31, 2023, there were 181,858,619 shares of Common Stock outstanding and no shares of preferred stock outstanding.

Common Stock

Voting Rights

Other than with respect to director elections, except as otherwise required by law, all matters to be voted on by the Company's shareholders must be approved by a majority of the shares present in person or proxy at such meeting and entitled to vote on the subject matter. With respect to uncontested director elections, the Bylaws require that in order to be elected, a director nominee must receive a majority of the votes cast (for this purpose, a majority of the votes cast means that the number of shares voted "for" a director nominee must exceed the number of votes cast "against" that nominee). For contested director elections where the number of nominees exceeds the number of directors to be elected, the Bylaws require that the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors.

Dividends

Holders of Common Stock will share equally in any dividend declared by the Company's board of directors (the "Board"), subject to the rights of the holders of any outstanding preferred stock.

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company's affairs, holders of Common Stock would be entitled, after payment of the liquidation preference to all holders of any outstanding preferred stock, to share ratably in the Company's assets that are legally available for distribution to shareholders after payment of liabilities. The Company must pay the applicable distribution to any holders of its preferred stock before it may pay distributions to the holders of Common Stock.

Other Rights

The Company's shareholders have no preemptive or other rights to subscribe for additional shares.

Preferred Stock

The Board may authorize the issuance of preferred stock from time to time in one or more series, without shareholder approval. Subject to the limits imposed by the DGCL, the Board is authorized to fix for any series of preferred stock the number of shares of such series and the voting powers (if any), designation, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of such series. The Board is also authorized to increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by the Company's shareholders.

The Board may authorize the issuance of preferred stock with voting or conversion rights that affect adversely the voting power or other rights of holders of Common Stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying, deferring or preventing a change in control, causing the market price of a share of Common Stock to decline, or impairing the voting and other rights of the holders of Common Stock.

Certain Anti-Takeover Provisions of the Certificate of Incorporation and Bylaws, and the DGCL

The following provisions of the Certificate of Incorporation and Bylaws could deter, delay or prevent a third party from acquiring the Company, even if doing so would benefit the Company's shareholders.

Undesignated Preferred Stock

The ability to authorize undesignated preferred stock makes it possible for the Board to authorize the issuance of preferred stock with super voting, special approval, dividend or other rights or preferences on a discriminatory basis that could impede the success of any attempt to acquire the Company. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of the Company.

Requirements for Advance Notification of Shareholder Meetings, Nominations and Proposals

The Bylaws provide that special meetings of shareholders may be called only upon the request of the majority of the members of the Board, upon request of the Chairman of the Board, or by the Secretary of the Company upon request of shareholders holding at least 15% of the outstanding Common Stock. The Bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting.

The Bylaws establish advance notice procedures with respect to shareholder proposals for annual meetings and the nomination of candidates for election as directors, other than nominations made by or at the direction of the Board or a committee thereof. A shareholder who wishes to bring a matter before a meeting or submit candidates for nomination as directors must comply with the Company's advance notice requirements and provide the Company with certain information, and, if applicable under the Bylaws, provide to the Company certain agreements and undertakings. Additionally, vacancies and newly created directorships may be filled only by a vote of a majority of the members of the Board then in office, even though less than a quorum, or by shareholders. These provisions may defer, delay or discourage a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of the Company.

Shareholder Action by Written Consent

As permitted by Section 228 of the DGCL, the Certificate of Incorporation states that any action required or permitted to be taken by the Company's shareholders must be effected at a duly called annual or special meeting and may not be effected by consent in writing by such shareholders.

Approval of Acquisition of Control by Public Utility Commissions

A significant number of the Company's regulated subsidiaries are subject to economic regulation by state public utility commissions. Some of these states have enacted laws that require regulatory approval for the acquisition of "control" of any regulated utility. In those states, obtaining "control" of the parent or any other company that controls a regulated utility also requires prior regulatory approval. The threshold for a change in control is a fact-specific inquiry that varies by state. For example, in some states, a presumption of control will arise when an acquiring party acquires more than 9.9% of the voting securities of the regulated utility or the controlling entity. In addition to ownership, other states may analyze the degree of influence or control an acquiror may exert over the company. Any person acquiring Common Stock in an offering or in any other purchase of Common Stock in an amount sufficient to trigger a change in control under state law would need the prior approval of the applicable state public utility commission.

Certain Other Provisions of the Certificate of Incorporation and Bylaws and the DGCL

Board of Directors

The Certificate of Incorporation provides that the number of directors is fixed in the manner provided in the Bylaws. The Bylaws provide that the number of directors will be fixed from time to time by the Board.

Business Combinations under the DGCL

The Company is subject to Section 203 of the DGCL, which prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the time the shareholder became an "interested stockholder," subject to certain exceptions, including if, prior to such time, the board of directors approved the business combination or the transaction which resulted in the shareholder becoming an "interested stockholder." "Business combinations" include mergers, asset sales and other transactions resulting in a financial benefit to the "interested stockholder." Subject to various exceptions, an "interested stockholder" is a person who, together with his or her affiliates and associates, owns, or within the prior three years did own, 15% or more of the corporation's outstanding voting stock. These restrictions generally prohibit or delay

the accomplishment of mergers or other takeover or change-in-control attempts that are not approved by a company's board of directors.

Limitations of Liability and Indemnification of Directors and Officers

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties. The Certificate of Incorporation includes a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director to the fullest extent authorized by the DGCL. The DGCL does not permit exculpation for liability:

- for breach of the duty of loyalty;
- for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;
- under Section 174 of the DGCL (relating to unlawful dividends or stock repurchases); or
- for transactions from which the director derived an improper personal benefit.

The Certificate of Incorporation and Bylaws provide that the Company will indemnify its directors and officers to the fullest extent permitted by law. The Bylaws also expressly authorize the Company to carry directors' and officers' insurance providing indemnification for its directors, officers and certain employees and agents for certain liabilities.

The limitation of liability and indemnification provisions in the Certificate of Incorporation and Bylaws may discourage shareholders from bringing a lawsuit against the Company's directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against the Company's directors and officers, even though such an action, if successful, might otherwise benefit the Company and its shareholders. In addition, an investment in the Common Stock may be adversely affected to the extent the Company pays the costs of settlement and damage awards against directors and officers in accordance with these indemnification provisions.

Proxy Access

The Bylaws permit an eligible shareholder or group of shareholders to include up to a specified number of director nominees in the Company's proxy materials for an annual meeting of shareholders. To qualify, the shareholders (or group of up to 20 shareholders) must have continuously owned for at least three years 3% or more of the Company's outstanding common stock. The maximum number of shareholder nominees permitted under this proxy access provision is the greater of (i) two or (ii) 20% of the total number of directors on the Company's board of directors as of the last day on which a proxy access notice may be submitted, rounded down to the nearest whole number.

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC serves as the registrar and transfer agent for the Common Stock.

New York Stock Exchange Listing

The Common Stock is listed on the New York Stock Exchange under the trading symbol "AWK."

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2021 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2021 and ending December 31, 2023.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the

last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2022, but prior to January 31, 2023; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2024. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 31, 2022 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2024 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five

(5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2021 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend, equivalents will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan

established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Walter Lynch



Its: President and CEO

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of $3.51 for the year ended December 31, 2020. The ending point for the calculation will be EPS for the year ended December 31, 2023, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
10.0% or more	200%
9.0%	175%
8.0%	100%
7.0%	25%
< 6.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2020 Adjusted	12/31/2023 Illustration
Adjusted diluted earnings per share from continuing operations	$ 3.51	$ 4.53
Compounded EPS growth		**8.83%**

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	8.83%	162.5%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,625 Performance Units (1,000 x 1.625), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2021 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2021 and ending December 31, 2023.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b) or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant

are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2022, but prior to January 31, 2023; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2024. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2022 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service

with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2024 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2021 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date

or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend

equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Chairman of the Board

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of $3.51 for the year ended December 31, 2020. The ending point for the calculation will be EPS for the year ended December 31, 2023, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
10.0% or more	200%
9.0%	175%
8.0%	100%
7.0%	25%
< 6.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at

200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2020 Adjusted	12/31/2023 Illustration
Adjusted diluted earnings per share from continuing operations	$ 3.51	$ 4.53
Compounded EPS growth		**8.83%**

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	8.83%	162.5%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,625 Performance Units (1,000 x 1.625), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 16, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to M. Susan Hardwick (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2021 Long Term Performance Plan ("2021 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2021 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant 2,470 performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2021 and ending December 31, 2023.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b), 4(c) or 4(d), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2022, but prior to January 31, 2023; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2024. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early

Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) If at any time prior to January 31, 2024, the Participant's employment or service with the Employer terminates on account of Normal Retirement or Early Retirement before achieving five (5) total years of employment or service with the Employer, but the Participant has completed a minimum of three (3) years of service in the position of Chief Financial Officer and has achieved the required Normal Retirement or Early Retirement age, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period following the Participant's termination of employment or service on account of Normal Retirement or Early Retirement, so long as the Participant has used good faith efforts (as determined by the Chief Executive Officer) to identify and develop a Chief Financial Officer successor who is approved by the Chief Executive Officer and the Board of Directors.

(e) Except as set forth in Paragraphs 4(b), 4(c) or 4(d), if at any time prior to the earlier of January 31, 2022 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(f) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2024 (the "Distribution Date"), (b) the Change of

Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2021 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive

Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the

Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended

without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Walter Lynch



Its: President and CEO

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share ("EPS") Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company's audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of $3.51 for the year ended December 31, 2020. The ending point for the calculation will be EPS for the year ended December 31, 2023, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
10.0% or more	200%
9.0%	175%
8.0%	100%
7.0%	25%
< 6.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at

200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2020 Adjusted	12/31/2023 Illustration
Adjusted diluted earnings per share from continuing operations	$ 3.51	$ 4.53
Compounded EPS growth		**8.83%**

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	8.83%	162.5%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,625 Performance Units (1,000 x 1.625), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

Exhibit 10.13.32

AMERICAN WATER WORKS COMPANY, INC.

2017 OMNIBUS EQUITY COMPENSATION PLAN

STOCK UNIT GRANT

This STOCK UNIT GRANT, dated as of December 7, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, upon election to the Board of Directors of the Company (the "Board") each non-employee director of the Company receives an annual stock unit grant that will be converted to shares of common stock of the Company, par value $0.01 per share, (the "Company Stock") at a later date;

WHEREAS, the Participant has been elected as a non-employee director on the Board, effective December 7, 2022; and

WHEREAS, the stock unit grant granted to the Participant shall be issued under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") for service prior to the 2023 Annual Meeting of Shareholders as a non-employee member of the Board, and the terms and conditions of such stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Stock Units"). Each Stock Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable distribution date, as described in Paragraph 4 below.

2. Stock Unit Account. The Company shall establish and maintain a Stock Unit account as a bookkeeping account on its records (the "Stock Unit Account") for the Participant and shall record in such Stock Unit Account the number of Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Stock Unit Account established for the Participant.

3. Vesting. The Participant shall be fully vested in the Stock Units credited to the Participant's Stock Unit Account pursuant to this Grant on the Date of Grant.

4. Distribution. The Stock Units shall be converted to shares of Company Stock and distributed by the Company within thirty (30) days following the earlier of (i) August 11, 2023 (the "Specified Date"), (ii) the Participant's separation from service (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code")) with the Company (the "Separation from Service Date"), or (iii) the date of a Change of Control (as defined below) (the "Change of Control Date"). At the time of distribution, all Stock Units shall be converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of this Grant, the term "Change of Control" shall have the same meaning as such term is defined in the Plan, except that a Change of Control shall not be deemed to have

occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Code and its corresponding regulations.

5. Dividend Equivalents. Until the earlier of the Specified Date, Separation from Service Date or Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Stock Units credited to the Participant's Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Stock Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

6. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Stock Units, and, in the event of a Change of Control, the Board may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

7. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law. The Participant also hereby agrees to be bound by the terms and conditions of the Plan and this Grant. The Participant further agrees to be bound by the determinations and decisions of the Board with respect to this Grant and the Plan and the Participant's rights to benefits under this Grant and the Plan, and agrees that all such determinations and decisions of the Board shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

8. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) The obligation of the Company to deliver shares of Company Stock upon the distribution of the Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board. The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(b) As a condition to receive any shares of Company Stock upon conversion of the Stock Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or

prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and its Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the distribution of the Stock Units shall not be transferred or disposed of by any means until the Participant owns enough shares of Company Stock, or shares underlying stock units convertible into shares of Company Stock, or time-based restricted Company Stock, to meet or exceed five (5) times the Participant's annual cash retainer, which ownership requirement must be satisfied by the fifth (5th) anniversary of the Participant's commencement of service as a director on the Board.

9. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Board in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Board shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder and the Participant's acceptance of this Grant is the Participant's agreement to be bound by the interpretations and decisions of the Board with respect to this Grant and the Plan.

10. No Rights as Shareholder. The Participant shall not have any rights as a shareholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 5), or the right to vote, with respect to any Stock Units.

11. No Rights to Continued Service. This Grant shall not confer upon the Participant any right to be retained in the service of the Employer (as defined in the Plan) and shall not interfere in any way with the right to terminate the Participant's service at any time. The right to terminate at will the Participant's service at any time for any reason is specifically reserved.

12. Assignment and Transfers. No Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Stock Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Stock Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

13. Withholding. To the extent required by applicable law, the Participant shall be required to pay to the Company, or make other arrangements satisfactory to the Company to provide for the payment of, any federal, state, local or other taxes that the Company is required to withhold with respect to the Grant, vesting or distribution of the Stock Units and dividend equivalents.

14. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

15. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

16. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the records of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by facsimile, e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means), or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

17. Section 409A of the Code.

(a) This Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered to avoid any penalty sanctions under section 409A of the Code. If any distribution cannot be provided or made at the time specified herein, then such distribution shall be provided in full at the earliest time thereafter when such sanctions cannot be imposed. In no event may the Participant designate the calendar year of distribution.

(b) Notwithstanding any provision to the contrary in this Grant, if any of the distributions under this Grant are payable to the Participant upon separation from service (within the meaning of section 409A of the Code) from the Employer, then if at the time of the Participant's separation from service the Participant is a "specified employee" (as such term is defined in section 409A(2)(B)(i) of the Code and its corresponding regulations) as determined by the Company (or any successor thereto) in its sole discretion in accordance with its specified employee determination policy, then all distributions to the Participant pursuant to this Grant shall be postponed for a period of six (6) months following the Participant's separation from service from the Employer. The postponed amounts shall be distributed to the Participant in a lump sum within thirty (30) days after the date that is six (6) months following the Participant's separation from service from the Employer. If the Participant dies during such six (6)-month period and prior to the distribution of the postponed amounts hereunder, the amounts delayed on account of section 409A of the Code shall be distributed to the personal representative of the Participant's estate within sixty (60) days after the date of the Participant's death, and any amounts not delayed shall be distributed to the personal representative of the Participant's estate in accordance with the terms of this Grant.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Grant, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick



Its: President and CEO

Exhibit 10.16

PENSION PLAN
FOR EMPLOYEES OF
AMERICAN WATER WORKS COMPANY, INC.
AND
ITS DESIGNATED SUBSIDIARIES

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Certain tables to this Exhibit 10.16 have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted tables to the SEC upon request.

PENSION PLAN FOR EMPLOYEES OF AMERICAN WATER WORKS COMPANY, INC. AND ITS DESIGNATED SUBSIDIARIES

ARTICLE I.
PURPOSE

The purpose of this Plan is to provide retirement income for participating Employees. The pensions provided by the Plan will be in addition to any Social Security benefits payable under Federal or State law. The provisions of this Plan shall govern with respect to retirement income over any bargaining unit agreement, but shall not supersede, modify, change or substitute any terms and provisions not relating to retirement income of participating Employees that appear in such agreements. The rules set out in Appendix 2 shall apply should the Plan become a Top-Heavy Plan, as defined therein.

Effective as of July 1, 2011, in connection with that certain Stock Purchase Agreement, dated as of January 23, 2011, by and among the Company, Arizona-American Water Company, New Mexico-American Water Company, Inc. and EPCOR Water (USA), Inc., pursuant to which the Company agreed to sell all of the issued and outstanding stock of Arizona-American Water Company and New Mexico-American Water Company, Inc. to EPCOR Water (USA), Inc., (the "Sale") the Company transferred the assets and liabilities attributable to those Participants who are, or were previously, employed by Arizona-American Water Company and New Mexico-American Water Company, Inc. to the Pension Plan for Employees of Arizona-American Water Company and New Mexico-American Water Company, Inc. (the "Arizona-New Mexico Pension Plan"), a new pension plan established for such Participants. Such assets and liabilities included those attributable to active Participants as of June 30, 2011, terminated vested Participants, and retired Participants (or their Beneficiaries) who were receiving benefit payments from the Plan, all of whom are, or were previously, employed by Arizona-American Water Company or New Mexico-American Water Company, Inc. (collectively, the "Arizona-New Mexico Employees"). Any benefit to which an Arizona-New Mexico Employee may have been entitled under the Plan immediately prior to July 1, 2011 was not provided under the Plan, but instead was provided under the Arizona-New Mexico Pension Plan. In addition, with respect to any Participant who was transferred to the employment of Arizona-American Water Company and New Mexico-American Water Company, Inc. from the Employer on or after July 1, 2011 and prior to the consummation date of the Sale, assets and liabilities with respect to such Participant's Accrued Benefit under the Plan, if any, were transferred to the Arizona-New Mexico Pension Plan. Furthermore, with respect to any participant under the Arizona-New Mexico Pension Plan who transferred employment from Arizona-American Water Company and New Mexico-American Water Company, Inc. to the Employer prior to the consummation date of the Sale, assets and liabilities with respect to such participant's Accrued Benefit under the Arizona-New Mexico Pension Plan were transferred back to this Plan and be payable from this Plan to such transferred participant. The Arizona-New Mexico Employees described in this paragraph are identified in Appendix 6 attached hereto.

Effective as of May 1, 2012, in connection with that certain Stock Purchase Agreement, dated as of July 8, 2011, by and among the Company, Ohio-American Water Company, and Aqua Ohio, Inc. ("Aqua Ohio"), pursuant to which the Company agreed to sell all of the issued and outstanding stock of Ohio-American Water Company to Aqua Ohio (the "Sale"), the Company transferred the assets and liabilities attributable to those Participants who were previously employed by Ohio-American Water Company to the Retirement Income Plan for Aqua America, Inc. and Subsidiaries ("Aqua Plan"). Such assets and liabilities included those attributable to active Participants as of April 30, 2012, terminated vested Participants, and retired

Participants (or their Beneficiaries) who were receiving benefit payments from the Plan, all of whom are, or were previously, employed by Ohio-American Water Company ("Ohio Employees"). Any benefit to which an Ohio Employee may have been entitled under the Plan immediately prior to May 1, 2012 was not provided under the Plan, but instead was provided under the Aqua Plan.

In connection with that certain Stock Purchase Agreement by and among the Company, New York American Water Company, Inc., and Liberty Utilities Co., dated as of November 20, 2019, pursuant to which the Company agreed to sell all of the issued and outstanding stock of New York American Water Company, Inc. to Liberty Utilities Co., the Company transferred all Plan assets and liabilities attributable to the Transferring NYAWC Participants (as defined in Appendix 8) to the defined benefit plan designated by Liberty Utilities Co. and the related trust. This transfer is effective as of January 1, 2022. Special provisions governing Transferring NYAWC Participants are set forth in Appendix 8.

Effective as of 11:59:58 p.m. Eastern Time on December 31, 2022, the Company spun-off the assets and liabilities attributable to 12/31/2022 Spinoff Individuals (as defined below). Immediately thereafter, effective as of 11:59:59 p.m. Eastern Time on December 31, 2022 (such date and time, the "12/31/2022 Spinoff Effective Date"), the Company transferred the spun-off liabilities and assets into the Pension Plan for Certain Inactive Participants of American Water Works Company, Inc. and its Designated Subsidiaries (the "12/31/2022 Spinoff"). Effective as of the 12/31/2022 Spinoff Effective Date, a 12/31/2022 Spinoff Individual shall not be considered a Participant or Employee under this Plan, and shall not be entitled to a benefit under the Plan except as a beneficiary or an alternate payee under this Plan.

The Plan is now amended and restated to (1) incorporate prior amendments; (2) to reflect the 12/31/2022 Spinoff; and (c) to make certain clarifying changes.

The benefits payable under this Plan with respect to any Participant (including, with respect to benefits payable under this Plan prior to the 12/31/2022 Spinoff Effective Date, 12/31/2022 Spinoff Individuals) whose service terminated before the 12/31/2022 Spinoff Effective Date shall be determined under the provisions of the Plan as in effect when such Participant's service with the Employer terminated, except that the factors under Tables 2 through 4(a) shall be derived from the Tables in effect when the benefit in question is to begin. Notwithstanding the foregoing, the benefits payable under this Plan with respect to any individual who participated in a merged plan but terminated employment before the date that plan was merged into this Plan shall be determined under the provisions of the merged plan as in effect at the time the individual terminated employment.

Except as otherwise provided in an applicable Appendix, the terms of the Plan are as follows:

ARTICLE II.
DEFINITIONS

Section 2.1 Definitions. Unless the context clearly indicates otherwise, the following terms shall have the following meanings:

(a) "Accrued Benefit" means the accrued benefit of a Participant expressed in terms of a monthly single life annuity beginning at or after their Normal Retirement Date determined under Section 5.1 and 5.2, as applicable, on the basis of the Participant's Years of Service for benefit accrual to the date as of which the computation is made. With respect to Transferring NYAWC Participants (as defined in Appendix 8), Accrued Benefits shall be determined with regard to the provisions under Appendix 8.

(b) "Actuarial Equivalent" means a benefit of equivalent value (A) computed on the basis set out in Tables 2 through 4(a), appended hereto, (B) derived based on interest rates and mortality tables set forth in Table 5 or (C) in any instance in which neither (A) nor (B) applies, based on an assumed interest rate of 8% and using the 1983 Group Annuity Mortality Table (set-back 1 year for Participants and set back 5 years for Contingent Annuitants). For the purpose of determining lump sum present values, the calculation shall be made using the "applicable mortality table" under section 417(e)(3)(B) of the Code and shall be based on the "applicable interest rate" under section 417(e)(3)(C) of the Code for the third calendar month preceding the year during which the Annuity Starting Date occurs (or as otherwise specified in the Plan for calendar years before January 1, 2023).

(c) "Administration Committee" means the Benefits Administration Committee and its successors and delegates. The Administration Committee shall be deemed to be the Plan's "administrator" and "named fiduciary" as defined in sections 3(16)(A) and 402(a)(2), respectively, of ERISA, or any corresponding provisions of successor laws.

(d) "Annuity Starting Date" means the first day of the first month for which an amount is payable as an annuity or in any other form.

(e) "Board of Directors" means the Board of Directors of American Water Works Company, Inc.

(f) "Break-in-Service" means a 12 consecutive month period, measured from the date an Employee is first credited with an Hour of Service or any anniversary thereof (or their re-employment commencement date or any anniversary thereof), within which they are not credited with more than 500 Hours of Service.

(g) "Code" means the Internal Revenue Code of 1986, as amended, and, unless otherwise provided, applicable provisions of successor laws.

(h) "Company" means American Water Works Company, Inc., a Delaware corporation.

(i) "Contingent Annuitant" means:

(i) the Participant's spouse; or

(ii) the person designated by the Participant, with the consent of the Participant's spouse if the Participant is married, as Contingent Annuitant in a manner prescribed by the Administration Committee, or,

(iii) if the Participant has no spouse and benefits are payable in the form of a life and certain annuity under Section 6.4(b)(ii), the Participant's estate.

A married Participant may designate a person or persons other than their spouse as Contingent Annuitant, provided that such spouse consents in writing in a manner prescribed by the Administration Committee which satisfies the requirements of Section 6.2. Such consent shall not be required if it is established to the satisfaction of the Administration Committee that the consent cannot be obtained because there is no spouse, because the spouse cannot be located or because of such other circumstances as the Secretary of the Treasury may prescribe by regulations. A subsequent spouse of the Participant shall not be bound by any such consent.

(j) "Continuous Service" means that uninterrupted period of employment, prior to the Normal, Early or Disability Retirement Date of an Employee with the Company, a Designated Subsidiary or former Designated Subsidiary, or Predecessor thereof. Transfers of employment between any corporations which are or were the Company, a Designated Subsidiary, a former Designated Subsidiary, or any Predecessor thereof, any absence due to temporary layoff not exceeding 12 months, Qualified Military Service or approved leave of absence for sickness, accident or other cause shall not be considered an interruption or termination of employment. Employees similarly situated shall be accorded uniform and nondiscriminatory treatment by the Administration Committee in approving leaves of absence. A completed year of Continuous Service means a 12-month period ending on the day prior to the anniversary date of employment during which the Employee's customary employment was for more than 1,100 hours. Notwithstanding the foregoing, each Employee who became a Participant on July 1, 1952 shall, if their service has been continuous since July 1, 1952, receive Continuous Service credit for all periods of employment prior to July 1, 1952 with the Company, any Predecessor thereof, or any Subsidiary or former Subsidiary from the date when they were first employed by such Company, Predecessor or Subsidiary, including any period of Qualified Military Service, but excluding any other period when not actively employed.

(k) "Designated Subsidiary" means any Subsidiary named by the Board of Directors as such under this Plan, or any Subsidiary to which, prior to July 1, 1975, the board of directors of its immediate parent company designated this Plan to be applicable, which naming may be changed by the Board of Directors from time to time. As of the effective date of this restatement of the Plan, the Designated Subsidiaries are listed in Exhibit A.

(l) "Disability Retirement Date" means the date a Participant retires before their Normal Retirement Date in accordance with the provisions of Section 4.3.

(m) "Early Retirement Date" means the first day of the calendar month coinciding with or immediately following the date a Participant reaches age 55, provided that the sum of their age and Years of Service is at least 70.

(n) "Earnings:"

(i) General Rule. Earnings shall mean, for any Participant, their total compensation for services as an Employee paid as an annual or other periodic salary or as an hourly wage (including overtime pay and shift differentials), by the Company, by any Designated Subsidiary, any former Designated Subsidiary or any Predecessor thereof, plus (a) amounts paid under the Company's Annual Incentive Plan that have not been deferred by the Employee, (b) amounts that would be paid to the Employee during the year but for the Employee's election under a cash or deferred arrangement described in section 401(k) of the Code or a cafeteria plan described in section 125 of the Code or a qualified transportation fringe benefit program described in section 132(0(4) of the Code, and (c) amounts paid under the Company's Business Development Incentive Plan.

(ii) Maximum Annual Dollar Limit. The annual Earnings of each Participant (who performs at least one Hour of Service on or after July 1, 2002) taken into account in determining benefit accruals in any Plan Year beginning after December 31, 2001, shall not exceed the dollar limitation specified in section 401(a)(17) of the Code as in effect for the Plan Year ($330,000 for 2023), adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code; provided, however, that for the short Plan Year ending December 31, 2022, the dollar limitation specified in section 401(a)(17) of the Code shall be prorated in accordance with Treas. Reg. section 1.401(a)(17)-1(b)(3)(iii). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year. In determining benefit accruals in Plan Years beginning after December 31, 2001, the annual Earnings limit for any prior determination period shall be limited to $200,000. Effective for Limitation Years beginning after July 1, 2007, this Section 2.1(n)(ii) shall also apply to Article C.3 of Appendix 2.

(o) [RESERVED]

(p) "Employee" means:

(i) an individual who is employed by the Employer;

(ii) an individual who is not employed by the Employer but is a Leased Employee within the meaning of section 414(n)(2) of the Code, provided that if the total number of Leased Employees constitutes 20% or less of the Employer's nonhighly compensated work force, within the meaning of section 414(n)(5)(C)(ii) of the Code. The term "Employee" shall not include those Leased Employees covered by a "safe harbor" plan described in section 414(n)(5)(B) of the Code; and

(iii) when required under Section 2.1(u), for purposes of crediting Hours of Service, a former Employee.

Notwithstanding the foregoing, a 12/31/2022 Spinoff Individual who is rehired by an Employer on or after the 12/31/2022 Spinoff Effective Date shall not be an Employee for purposes of the Plan.

(q) "Employer" means the Company, its Designated Subsidiaries, and for purposes of computing an Employee's Years of Service for purposes of vesting and eligibility, but not benefit accrual:

(i) any other employer included with the Company in a controlled group of corporations or trades or businesses within the meaning of section 414(b) or (c) of the Code, or an affiliated service group within the meaning of section 414(m) of the Code; and

(ii) any other entity required to be aggregated with the Company pursuant to regulations under section 414(o) of the Code;

provided, that any such employer shall be included with the term "Employer" only while member of such a group including the Company.

(r) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(s) "Final Average Earnings" means, for any Employee, the average of the Employee's Earnings for those 60 consecutive full months of the final 120 months of employment as an eligible Employee which yield the highest average. If within the 60-month period (or lesser period of employment) applicable in the determination of Final Average Earnings a Participant is absent due to layoff, sickness or accident, Qualified Military Service, leave of absence or other cause to the extent specified in Section 2.1(oo)(ii), their Earnings during such period of absence shall be considered to be their Scheduled Monthly Earnings. If within such 60-month period the Participant is absent due to a cause not specified in Section 2.1(oo)(ii), including but not limited to a strike or other work stoppage, their Final Average Earnings shall be computed on the basis of the last 60 months (or lesser period of employment) during which they actually received Earnings, or are absent under such circumstances that they are credited with Hours of Service under Section 2.1(oo)(ii). If a Participant does not have Earnings for 60 consecutive months, that Participant's Final Average Earnings shall be the amount determined by dividing that Participant's Earnings as an eligible Employee by the number of months in which Earnings were actually received. Notwithstanding the foregoing, in determining Final Average Earnings, overtime in the last month worked prior to the pension effective date will be the average monthly overtime earned during the twelve months prior to the month in which the Employee submits their application for retirement.

(t) "Fund" means the aggregate of the funds held by any Insurance Company under an Insurance Contract, other than those irrevocably committed to the purchase of annuity contracts, or by the Trustee or any other Investment Manager, for the purpose of providing retirement income benefits under the Plan for Participants, surviving spouses and Contingent Annuitants.

(u) "Hour of Service" means:

(i) each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Employer;

(ii) each hour for which an Employee is paid, or entitled to payment, by the Employer with respect to a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff or jury duty; provided that, subject to Section 2.1(oo), an Employee shall be credited with no more than 501 Hours of Service on account of any single continuous period during which they perform no duties;

(iii) each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer employing an Employee;

(iv) solely for purposes of determining whether a Break-in-Service has occurred, each hour which would normally have been credited to the individual, or if that number of hours cannot be determined, 8 hours per working day, to a maximum of 501 hours, during any period throughout which the individual is absent from employment because of the individual's pregnancy, the birth of the individual's child, placement of a child with the individual in connection with the adoption of that child by the individual, or the individual's need to provide care for such a child for the period immediately following that child's birth or adoption; and,

(v) each other hour credited under Section 2.1(oo)(ii).

Hours of service shall be credited to the Employee for the applicable 12 month period or periods in which the duties are performed, for which the payment is made, or to which the award, agreement or leave pertains, except that in the case of hours credited under Section 2.1(u)(iv), relating to maternity and paternity leave, such hours shall be credited in the year in which the absence from work begins if necessary to avoid a Break-in-Service in that year, or in any other case, in the following year. Hours of Service under this Section 2.1(u) shall be credited consistent with the provisions of 29 CFR 2530.200b-2, issued by the United States Department of Labor, which provisions are incorporated herein by reference.

(v) "Insurance Company" means any insurance company or companies, from which retirement income benefits payable under the Plan may be purchased for Participants, their surviving spouses and Contingent Annuitants.

(w) "Insurance Contract" means any group deposit administration contract, immediate participation guaranteed contract or other policy of similar type or purpose entered into by the Company, under which retirement income benefits payable under the Plan may be paid to Participants, their surviving spouses and Contingent Annuitants.

(x) "Investment Committee" means the Retirement and Benefit Plans Investment Committee and its successors and delegates.

(y) "Investment Manager" means any "investment manager," as that term is defined by section 3(38) of ERISA or any applicable provision of any successor law, which has investment control of any Plan assets pursuant to an agreement with the Company or the Plan (or its representative).

(z) "Late Retirement Date" means the actual date of retirement of a Participant who remains employed by the Employer after their Normal Retirement Date.

(aa) "Leased Employee" means any person who is not an Employee and who provides services to the Employer if:

(i) such services are provided pursuant to an agreement between the Employer and any other person;

(ii) such person has performed services for the Employer or for the Employer and related employees on a substantially full-time basis for a period of at least one year; and

(iii) such services are performed under the primary direction or control of the Employer.

(bb) "Limitation Year" means the calendar year.

(cc) "Normal Retirement Date" means the first day of the calendar month coinciding with or immediately following the date a Participant reaches age 65.

(dd) "Qualified Military Service" means any service in the "uniformed services" (as defined in Chapter 43 of Title 38 of the United States Code) by any Employee if such Employee is entitled to re-employment rights under such Chapter with respect to such service.

(ee) "Participant" means an Employee who has met the eligibility requirements of Sections 3.1, 3.2, and 3.3, as applicable. An individual who qualifies as a Participant shall continue to be a Participant until all benefits due them under the Plan have been paid. An individual who is not a U.S. citizen but who is seconded to employment with any U.S. Employer shall not be eligible to participate during any period while such individual is also covered by a pension plan maintained or contributed to by their non-U.S. Employer. Notwithstanding the foregoing, effective 12/31/2022 Spinoff Effective Date, a 12/31/2022 Spinoff Individual shall not be considered a Participant under this Plan, and shall not be entitled to a benefit under the Plan except as a beneficiary or an alternate payee under this Plan.

(ff) "Plan" means the Pension Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as set forth in this document and the related Trust Agreement pursuant to which the Trust is maintained.

(gg) "Plan Year" means the 12 month period ending December 31. The period from July 1, 2022 through December 31, 2022 shall be a short Plan Year.

(hh) "Predecessor" means any corporation which was a constituent in a merger, consolidation, liquidation or similar combination of corporations.

(ii) "Scheduled Monthly Earnings" on any date means, in the case of any salaried Employee, their basic rate of monthly earnings at such date (exclusive of overtime payments and bonuses), and, in the case of any hourly-paid Employee, the amount determined by multiplying their average weekly earnings (exclusive of overtime payments and bonuses) at said date by 4 & 1/3. As used in the preceding sentence, "average weekly earnings" on any date means the amount determined by multiplying the hourly-paid Employee's basic straight time hourly rate at said date by the number of hours in their normal work week; provided, however, that the basic straight time hourly rate and the number of hours in a normal work week of any such Employee on a shift schedule shall be averaged over the period covered by the shift cycle.

(jj) "Social Security Average Wage Base" means the average of the amounts considered "wages" under section 3121(a)(1) of the Code, or any applicable provision of any successor laws, for the calendar year including the date as of which a benefit is to be calculated under Section 4.3(c) and the preceding nine calendar years.

(kk) "Subsidiary" means any corporation, association or business trust, 50% or more of whose voting stock (not including shares having voting power only upon the happening of an event of default) is or was owned, directly or indirectly, by American Water Works Company, Inc., or by any corporation which was a constituent in a merger, consolidation, liquidation, transfer of substantially all of its assets in exchange for stock, or similar combination of corporations with or into the Company.

(ll) "12/31/2022 Spinoff Individual" means a Participant who, as of as of 11:59:58 p.m. Eastern Time on December 31, 2022, (i) commenced receiving a benefit pursuant to Article IV or VIII hereof prior to July 1, 2017, or (ii) terminated employment after satisfying the requirements of Article IV or VIII hereof and who was eligible to receive a deferred vested benefit, but in either case excluding a Participant whose pension benefits are or will be payable, in whole or in part, from one or more group annuity contracts. For purposes of clarification, the term "12/31/2022 Spinoff Individual" includes beneficiaries or alternate payees of a Participant who is a 12/31/2022 Spinoff Individual.

(mm) "Trust" means the legal entity created by the agreement ("Trust Agreement") between the Company and the Trustee, fixing the rights and liabilities with respect to the control and management of those assets of the Fund held in the Trust.

(nn) "Trustee" means the trustee or trustees, and any successor or successors thereto, designated by the Board of Directors and named in the Trust Agreement or any amendment thereto.

(oo) "Year of Service" means:

(i) Service Prior to 1975 Anniversary. For periods prior to the first anniversary after July 1, 1975 of the date on which a Participant became an Employee, each year of Continuous Service included in a period of Continuous Service ending on that date.

(ii) Years of Service for Eligibility and Vesting. Except as otherwise provided under Section 2.1(oo)(iv) below, for purposes of eligibility to participate in the Plan, vesting and for meeting the eligibility requirements for survivor benefits or for a Normal, Late, Early or Disability Retirement Date, Years of Service shall be determined under this Section 2.1(oo)(ii). For periods beginning on or after the first anniversary after July 1, 1975 of the date on which a Participant became an Employee, or in the case of a Participant who first became an Employee on or after July 1, 1975, for periods beginning on or after the date the Participant became an Employee, each 12-month period commencing on their employment date or any anniversary thereof during which they complete at least 1,000 Hours of Service and which is not excluded by the provisions of Sections 9.1 and 9.2. For this purpose, an Employee for whom records of hours actually worked are not maintained, shall be credited with 8 Hours of Service for each day for which they are compensated for their services or for which they otherwise would have been compensated for their services during which they are absent due to (A) layoff not exceeding 12 months, (B) sickness or accident in accordance with the customary personnel practices of the respective Company or Designated Subsidiary, but not exceeding the first 24 months thereof, (C) Qualified Military Service, or (D) leave of absence, or other cause, approved by the Administration Committee pursuant to uniform and nondiscriminatory rules applicable to Employees similarly situated, provided that in each case the Employee returns to employment with the Company or a Designated Subsidiary or, if eligible to do so, retires, on or before the last day of the period for which service credit is granted under (A), (B), or (D), or, in the case of absence under (C), the last day on which the Employee's re-employment rights are protected by law.

Years of Service earned by Employees who are not included in an "Eligible Union Group," as described in Section 3.1(b), and have ceased for any reason to be eligible to accrue additional benefits under the Plan will be credited for purposes of vesting and for meeting the eligibility requirements for survivor benefits and Normal, Late, Early or Disability Retirement, but will not be credited for purposes of determining benefit accrual and computing a Participant's retirement income benefit under the Plan under Section 2.1(oo)(iii) below.

(iii) Years of Service for Benefit Accrual. Except as otherwise provided under Section 2.1(oo)(iv) below, for purposes of determining benefit accrual and computing a Participant's retirement income benefit under the Plan, a Year of Service shall be credited for each full 12-month period during which a Participant is credited with at least 1,000 Hours of Service. In addition, a Participant shall receive a partial Year of Service for a period of less than 12 months provided the Participant is credited with at least 1,000 Hours of Service during such period. Notwithstanding any other provision of this Plan, no period during which an individual was ineligible to be a Participant by reason of Section 3.1, 3.2 or 3.3 shall be a Year of Service for the purpose of computing the retirement income benefit, if any, to which such individual is entitled under this Plan.

A Participant shall receive credit for a partial Year of Service for an employment period of fewer than 12 months. That credit shall be determined as a fraction, the denominator of which shall be 365 and the numerator of which shall be the number of days

in the period beginning on the last anniversary date of their employment prior to the termination of their service or their Normal, Late, Early or Disability Retirement Date, and ending on the date of the termination of their service or their Normal, Late, Early or Disability Retirement Date, if their Hours of Service for such period equaled, or when annualized, would equal 1,000 or more.

(iv) Special Rules. For special service rules to be applied in computing Years of Service for purposes of benefit accrual, vesting and for meeting the eligibility requirements for survivor benefits or for a Normal, Late, Early or Disability Retirement Date, for Employees of certain acquired Subsidiaries which have become Designated Subsidiaries, see Appendices 3 and 4.

Union Participants described in Section 5.2(d) shall cease to be credited with Years of Service after December 31, 2005 for purposes of benefit accrual. Years of Service earned by union Participants described in Section 5.2(d) after December 31, 2005 will be credited for purposes of vesting and for meeting the eligibility requirements for survivor benefits and Normal, Late, Early or Disability Retirement.

To the extent applicable, any non-union Participant transferred from American Water Works Service Company, Inc. to American Water Enterprises, Inc. effective December 26, 2011 who is listed in Appendix 7, shall continue to be credited with Years of Service on and after December 26, 2011 for purposes of benefit accrual, as well as for vesting and for meeting the eligibility requirements for survivor benefits or for Normal, Late, Early or Disability Retirement Date, until such Participant subsequently terminates employment or is transferred from their December 26, 2011 classification to an ineligible employment classification.

To the extent applicable, any non-union Participant who, immediately prior to a transfer of employment to American Water Enterprises, Inc., is eligible to accrue additional benefits under the Plan under Section 3.2(b), shall continue to be credited with Years of Service on and after such transfer to American Water Enterprises, Inc. for purposes of benefit accrual, as well as for vesting and for meeting the eligibility requirements for survivor benefits or for Normal, Late, Early or Disability Retirement Date, until such Participant subsequently terminates employment or is transferred to an ineligible employment classification.

Section 2.2 Administration. The Plan shall be administered by the Administration Committee as more fully provided for in Article XI.

Section 2.3 Construction. The headings and subheadings in the Plan are inserted for convenience of reference only and are not to be considered in the construction of any provision of the Plan.

Section 2.4 Governing Law. Except to the extent such laws are superseded by ERISA or the Code, the laws of the State of New Jersey shall govern.

ARTICLE III.
PARTICIPATION

Section 3.1 New Participants.

(a) Except as specifically provided in Section 3.1(b) below, any Employee who was not a Participant in the Plan on January 1, 2006 shall forever remain ineligible for the Plan.

(b) Subject to the terms of the applicable collective bargaining agreement, a union Employee employed within an Eligible Union Group shall become a Participant on the first day of the calendar month next following their completion of one Year of Service. "Eligible Union Groups" include:

(i) Union Employees hired prior to January 1, 2013 in the Company's call center at either the Alton, Illinois or Pensacola, Florida facility;

(ii) Union Employees hired or rehired prior to February 1, 2009 at the Company's Sterling, Illinois facility;

(iii) Union Employees employed on January 15, 2002 in the Company's water business acquired from Citizens Utility Company; or

(iv) Local 423 union Employees hired before April 1, 2006 or Local 68 union Employees hired before May 1, 2006, who were participating in the Employees' Retirement Plan of Elizabethtown Water Company as of December 31, 2006.

An Employee who is hired or transferred into an Eligible Union Group shall become a Participant on or after January 1, 2006 only if the collective bargaining agreement applicable to that Eligible Union Group specifically provides for participation in the Plan by all members of that Eligible Union Group.

Section 3.2 Participants as of January 1, 2006.

(a) Except as provided in this Section 3.2, an Employee who was a Participant in this Plan as of January 1, 2006, shall remain eligible to participate in the Plan.

(b) Any Participant who, as of January 1, 2006, was not eligible to accrue benefits under the Plan shall forever remain ineligible to accrue benefits under the Plan without regard to a subsequent transfer to an eligible classification of employment, rehire, recall, or other resumption of employment unless that Participant is subsequently employed within one of the Eligible Union Groups and the collective bargaining agreement applicable to that Eligible Union Group specifically provides for participation in the Plan by all members of that Eligible Union Group.

(c) Any Participant who, on or after January 1, 2006, ceases for any reason to be eligible to accrue benefits under the Plan shall forever remain ineligible to accrue future benefits under the Plan without regard to a subsequent transfer to an eligible classification of employment, rehire, recall, or other resumption of employment unless that Participant is subsequently employed

within one of the Eligible Union Groups and the collective bargaining agreement applicable to that Eligible Union Group specifically provides for participation in the Plan by all members of that Eligible Union Group. Non-union Participants rehired on or after January 1, 2006, shall not be eligible to accrue additional benefits under the Plan.

(d) No union Participants hired or rehired on or after January 1, 2001 shall be eligible to accrue additional benefits under the Plan on or after January 1, 2006 unless employed within one of the Eligible Union Groups and the collective bargaining agreement applicable to that Eligible Union Group specifically provides for participation in the Plan by all members of that Eligible Union Group.

(e) Union Employees hired or rehired on or after January 1, 2001 who, on or after January 1, 2006, cease to be covered under a collective bargaining agreement between a union and the Company for any reason, including by transfer to non-union status (union Employees hired before January 1, 2001 and transferred to non-union status will, at the time of transfer, be treated as a non-union Employee hired before January 1, 2006) shall not be eligible to accrue additional benefits under the Plan on or after January 1, 2006; provided, however, union Employees hired before January 1, 2001 who are laid off and recalled to employment on or before December 31, 2005 shall be treated as having been hired before January 1, 2001 but subject on and after January 1, 2006 to the provisions in this Section 3.2.

(f) No Employee on whose behalf the Company or a Designated Subsidiary makes contributions to any employee pension benefit plan with respect to a period of current service shall be eligible to accrue benefits in this Plan for the same period of service.

(g) Any Participant who, immediately prior to a transfer of employment to American Water Enterprises, Inc., is eligible to accrue additional benefits under the Plan under Section 3.2(b) shall continue to accrue benefits under the Plan while employed by American Water Enterprises, Inc. until such Participant subsequently terminates employment or is transferred to an ineligible employment classification.

Section 3.3 Collective Bargaining.

(a) Any other provision of this Plan to the contrary notwithstanding, if any labor organization, which shall be recognized by the Company or a Designated Subsidiary as the representative for purposes of collective bargaining of any unit of Employees, does not enter into an agreement with the Company or a Designated Subsidiary providing for the participation of such Employees in this Plan, or having entered into such an agreement fails or refuses to continue the same in effect, the Employees so represented shall not, except to the extent of such Employees' vested interest under Section 8.1, be Participants in, or eligible to participate in, this Plan, its benefits, or in the funds held by the Insurance Company, the Trustee or any Investment Manager, provided that if the absence of an agreement occurs only during a period of negotiations which culminate in a new agreement providing for the participation of such Employees in this Plan, such Employees shall not lose any of the rights which they would otherwise have had hereunder.

(b) If any Employee becomes a Participant following a period during which they were ineligible to participate by reason of this Section 3.3, their Years of Service under this Plan shall not, for the purpose of computing the retirement income benefit, if any, to which they are entitled under this Plan, include any period during which they were so ineligible.

Section 3.4 Suspension of Benefits. A Participant who continues in employment beyond age 65 shall not be entitled to payment of benefits while so employed, provided that the Plan notifies the Participant by personal delivery or first-class mail during the first calendar month following the Participant's Normal Retirement Date that their benefits will not be payable until their actual termination of employment. Such notification shall state that benefit payments are not being paid, in accordance with this Section 3.4, because the Participant is remaining in active employment, and shall include a copy of this Section 3.4 and a statement to the effect that applicable Department of Labor regulations may be found at 29 CFR § 2530.203-3.

Section 3.5 Transferring NYAWC Participants. Notwithstanding any other provision to the contrary, with respect to Transferring NYAWC Participants (as defined in Appendix 8), eligibility to participate shall be determined with regard to the provisions under Appendix 8.

Section 3.6 12/31/2022 Spinoff Individual. Notwithstanding any other provision to the contrary, on and after the 12/31/2022 Spinoff Effective Date, in no event shall a 12/31/2022 Spinoff Individual become an Employee or Participant, and in no event shall a 12/31/2022 Spinoff Individual be entitled to a benefit under this Plan, except as a beneficiary or an alternate payee under this Plan.

ARTICLE IV.
RETIREMENT

Section 4.1 Normal Retirement and Late Retirement.

(a) Upon retirement at their Normal Retirement Date, a Participant shall be entitled to receive a monthly retirement income commencing on their Normal Retirement Date, which in accordance with Treas. Reg. section 1.411(a)-7(c)(1) shall be equal to the greatest of: (i) the Participant's Accrued Benefit that they could have commenced on or after the date the Participant has attained age 55, provided the sum of their age and Years of Service equals or exceeds 70; (ii) in the case of a Participant who, as of January 1, 2019, is not a "named executive officer" (as defined in Item 402(a)(3) of Regulation S-K of the Securities Act of 1933, as amended), the Participant's Accrued Benefit that they could have commenced on or after attaining age 62; or (iii) the Participant's Accrued Benefit payable at Normal Retirement Date, or in the case of (i), (ii) or (iii), as applicable, the Actuarial Equivalent of such Accrued Benefit in an amount determined under Sections 5.2, 5.6, 5.7 and, if applicable, Section 6.1(a).

(b) A Participant who continues to be employed after their Normal Retirement Date shall be entitled to receive a monthly retirement income commencing on their Late Retirement Date in an amount determined under Sections 5.2, 5.6, 5.7 and, if applicable, Section 6.1(a). Notwithstanding the foregoing, an executive shall have a Late Retirement Date only if they continue in employment with the Employer after their Normal Retirement Date by consent of the Company.

(c) For purposes of this Section 4.1, an "executive" means a Participant:

(i) who is an executive as defined in 29 CFR.541.1 and EEOC Reg. section 1625.12;

(ii) who is (A) in charge of a significant and substantial local or regional operation of the Employer, (B) in charge of a department or division of the Employer, or (C) in a high policy making position with the Employer;

(iii) who has attained age 65;

(iv) who has been in a position described in Sections 4.1(a) and 4.1(b) for the two-year period immediately prior to their retirement; and

(v) who is entitled to an immediate nonforfeitable annual retirement income, payable in the form of a single life annuity commencing at age 65 (or retirement, if later), from all employee pension, profit sharing, savings and deferred compensation plans sponsored by the Employer, which equals, in the aggregate, at least $44,000 (or such other amount as may be described pursuant to 29 C.F.R. 541.1). There shall be excluded from the calculation of the retirement income all of the Participant's contributions to all plans, including amounts rolled over from the plans of previous employers.

Section 4.2 Early Retirement.

(a) A Participant may retire on the first day of any month occurring on or after both attaining their Early Retirement Date and making application in writing to their Employer at least two full calendar months in advance of their elected Annuity Starting Date. Notwithstanding the foregoing, in the event a Subsidiary is named as a Designated Subsidiary effective after December 31, 1971, a Participant who is an Employee of such Designated Subsidiary may not retire under this Section 4.2(a) before being credited with five Years of Service under this Plan.

(b) In the event of retirement under the provisions of Section 4.2(a), the date of a Participant's actual retirement shall be their Early Retirement Date and upon retirement at their Early Retirement Date a Participant shall be entitled to receive a monthly retirement income commencing on their Early Retirement Date in an amount determined under Sections 5.4, 5.6, 5.7 and, if applicable, Section 6.1(a).

(c) In the event a Participant who has applied for Social Security disability benefits applies for an Early Retirement benefit under this Section 4.2, commences payment of their Early Retirement benefit as of their elected Annuity Starting Date, and such elected Annuity Starting Date occurs prior to the date that an award of total and permanent disability benefits is made by the United States Social Security Administration (the "Award"), such Participant shall not be

permitted to change their Early Retirement benefit to a Disability Retirement benefit payable under Section 4.3 following the date of the Award. The foregoing shall apply regardless of the date of disability that is referenced in the Award. For purposes of clarity, a Participant for whom payment of their Early Retirement benefit has not yet commenced as of their elected Annuity Starting Date due to administrative delay shall be treated as having commenced payment of their Early Retirement benefit as of their elected Annuity Starting Date.

Section 4.3 Disability Retirement.

(a) A Participant who has completed 10 or more Years of Service, and who qualifies for disability retirement under this Section 4.3(a) shall be retired as of the first day of the month following the first month in which the Administration Committee has received both (i) the Participant's written request for disability retirement, and (ii) evidence reasonably satisfactory to the Administration Committee that the Participant has been determined by the United States Social Security Administration to qualify for total and permanent disability benefits under the Social Security Act. A Participant shall be eligible for disability retirement benefits if, as a result of mental or physical illness or injury (other than self-inflicted) while actively employed, they qualify for disability benefits under the Social Security Act. Disability benefit payments shall commence in either the month in which the disabled Participant is retired, as described above, or in the next following month, as may be administratively practicable. Such payments under the Plan shall be made retroactively to the first day of the month following the date as of which the Participant is deemed to be disabled by the Social Security Administration, or, if later, to the last day of the Participant's eligibility for continuation of the Participant's salary or hourly wages as sick pay under an applicable Employer sick pay plan. The sum of any retroactive payments shall be paid in a lump sum, without interest, as part of the first monthly payment of disability benefits. A Participant shall provide such reasonable evidence of continued Social Security disability as the Administration Committee may require from time to time. Disability benefits shall be discontinued if the Participant ceases to qualify for disability benefits under the Social Security Act. A Participant who becomes disabled, while actively employed, on or after attaining age 65, shall be considered to have retired under Section 4.1 and will be entitled to a monthly retirement income, if any, in an amount determined under Sections 5.2, 5.6, 5.7 and, if applicable, Section 6.1(a).

(b) Notwithstanding the above, if a Participant's disability is determined by the Social Security Administration to qualify under the Social Security Act prior to July 1, 2001, and the Participant's benefit was in pay status, the benefit shall be determined under the provisions of the Plan in effect prior to July 1, 2001.

(c) In the event of retirement under the provisions of Section 4.3, the date specified in Section 4.3 shall be the Participant's Disability Retirement Date, and the Participant shall be entitled to receive for life, or as long as their disability continues to qualify under the Social Security Act, a monthly retirement income commencing on their Disability Retirement Date in an amount determined under Sections 5.5, 5.6, 5.7 and, if applicable, Section 6.1(a); provided that if at their Disability Retirement Date, a Participant would be eligible for Early Retirement but for the two months' notice requirement, they may elect to retire early under the provisions of Section 4.2(a).

(d) A Participant shall not be eligible for a benefit payable under this Section 4.3 if the provisions of Section 4.2(c) apply.

ARTICLE V.
RETIREMENT INCOME LIFE BENEFITS

Section 5.1 For Participants Who Retired Prior to July 1, 2001. Except as otherwise specifically provided in Appendix 1, the monthly retirement income payable to a Participant whose retirement date occurred on or before July 1, 2001 shall be continued after June 30, 2001 in the same amount and subject to the same conditions as the monthly retirement income which such Participant was receiving under the Plan beginning on or before July 1, 2001.

Section 5.2 Normal or Late Retirement Income. A Participant's Normal or Late Retirement Income shall be determined as follows:

(a) For Active Non-Union Participants Retirement on or after July 1, 2001. An active non-union Participant retiring after June 30, 2001, except as modified by the provisions of Section 6.1(a), shall receive a monthly retirement income commencing on their Normal or Late Retirement Date in an amount equal to the following:

(i) For Years of Service prior to July 1, 2001, the sum of the following:

(A) 1.85% of their Final Average Earnings not in excess of the Social Security Average Wage Base, multiplied by their Years of Service up to a maximum of 25 years, plus

(B) 2.1 % of their Final Average Earnings in excess of the Social Security Average Wage Base, multiplied by their Years of Service up to a maximum of 25 years, plus

(C) 0.7% of their Final Average Earnings, multiplied by their Years of Service in excess of 25 years.

plus

(ii) For Years of Service on or after July 1, 2001, the sum of the following:

(A) 1.60% of their Final Average Earnings not in excess of the Social Security Average Wage Base, multiplied by their Years of Service up to a maximum of 25 years, plus

(B) 2.1 % of their Final Average Earnings in excess of the Social Security Average Wage Base, multiplied by their Years of Service up to a maximum of 25 years, plus

(C) 1.60% of their Final Average Earnings, multiplied by their Years of Service in excess of 25 years.

(iii) Years of Service credited before and after July 1, 2001 shall be aggregated in determining the 25-year maximum period.

(b) For Active Union Participants Retiring on or after July 1, 2001. An active union Participant retiring after June 30, 2001, except as modified by the provisions of Section 6.1(a), shall receive a monthly retirement income commencing on their Normal or Late Retirement Date in an amount equal to the following:

(i) For Years of Service prior to July 1, 2001, the sum of the following:

(A) 1.85% of their Final Average Earnings not in excess of the Social Security Average Wage Base, multiplied by their Years of Service up to a maximum of 25 years, plus

(B) 2.1 % of their Final Average Earnings in excess of the Social Security Average Wage Base, multiplied by their Years of Service up to a maximum of 25 years, plus

(C) 0.7% of their Final Average Earnings, multiplied by their Years of Service in excess of 25 years.

plus

(ii) 1.60% of their Final Average Earnings, multiplied by their Years of Service earned on or after July 1, 2001.

(c) For Participants Hired on or after July 1, 2001. Effective for Participants hired on or after July 1, 2001, except as modified by the provisions of Section 6.1(a), a Participant's monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to 1.60% of their Final Average Earnings multiplied by their Years of Service at Normal or Late Retirement Date.

(d) For Union Participants Hired On Or After January 1, 2001. Except as provided below in this Section 5.2(d), Section 3.1(b), or Section 3.2, the Accrued Benefit of a union Participant hired or rehired on or after January 1, 2001 shall be frozen as of December 31, 2005 and no further benefits shall accrue for such Participant under the Plan after December 31, 2005. Notwithstanding the foregoing, union Employees who:

(i) are employed at the Company's Sterling, Illinois facility and were hired or re-hired prior to February 1, 2009,

(ii) are employed in the Employer's call center at either the Alton, Illinois or Pensacola, Florida facility,

(iii) were union Employees on January 15, 2002 employed in the water business acquired from Citizens Utility Company, or

(iv) are Local 423 union Employees hired before April 1, 2006 or Local 68 union Employees hired before May 1, 2006, who were participating in the Employees' Retirement Plan of Elizabethtown Water Company as of December 31, 2006,

may continue to accrue benefits under the Plan for Years of Service on and after December 31, 2005.

Section 5.3 1994 Fresh Start Provisions. If the Accrued Benefit, computed as of June 30, 1994, of a Participant who is actively employed on July 1, 1994 was based on Earnings in excess of $150,000, such Accrued Benefit shall be frozen as of June 30, 1994. The Accrued Benefit payable to such a Participant who retires at their Normal Retirement Date shall be the greater of:

(a) the sum of their Accrued Benefit as of June 30, 1994, plus their Accrued Benefit for each Year of Service for benefit accrual after June 30, 1994 computed in accordance with Section 5.2(a) above but based only on Earnings allowable under section 401(a)(17) of the Code as in effect for Plan Years beginning after 1993; or

(b) the Participant's Accrued Benefit computed under Section 5.2(a) using all of the Participant's Years of Service for benefit accrual, but limiting Earnings to the level in effect under section 401(a)(17) of the Code as of the Participant's retirement or other termination of service, as applicable.

Section 5.4 Early Retirement Income. The monthly retirement income commencing on a Participant's Early Retirement Date shall be an amount equal to their normal retirement income under Section 5.2 based on their Years of Service to their Early Retirement Date, multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

Section 5.5 Disability Retirement Income. The monthly retirement income commencing on a Participant's Disability Retirement Date shall be an amount equal to the benefit which they would have received pursuant to Section 5.2(a) or (b) or (c) based on their Years of Service and Final Average Earnings as of their Disability Retirement Date, without reduction for early commencement.

Section 5.6 Other Plan Benefits. In the case of a Participant who becomes a Participant by reason of the naming after June 30, 1985 of a Subsidiary as a Designated Subsidiary, their normal, late, early, or disability retirement income shall be adjusted downward to reflect benefits to which they are entitled under any other retirement plan or plans established by such Designated Subsidiary and the Administration Committee, acting under uniform rules of nondiscriminatory application with respect to the Employees of any such Designated Subsidiary, shall have the exclusive and binding discretion to make such adjustment as it determines to be equitable under all of the circumstances to the end that there be no duplication of benefits under this Plan and any other plan or plans. Notwithstanding the preceding sentence, no such adjustment shall be made for such amounts as are attributable to the Participant's contributions to such other plan or plans.

Section 5.7 Benefits Attributable to Merged Plans. In addition to any retirement income benefit payable to a Participant under this Plan, any Participant who was a participant in the California-American Water Company Employee Retirement Plan, the Seymour Water Company Retirement Plan, the West Virginia Water Company Pension Plan, the Brownsville Water Company Non-Bargaining Employees' Retirement Plan, the Brownsville Water Company Bargaining Employees' Retirement Plan and the Retirement Plan for Employees of California Water Company, which were merged into this Plan, shall also receive the amount of any benefit the Participant would have received from that merged plan, but for the merger. The benefit payable to any Participant who was a participant in the Pekin Water Works Company Pension Trust and who is given credit under Appendix 3 of this Plan in computing their Accrued Benefit under this Plan shall receive no additional benefit credit on account of such participation.

Section 5.8 Normal Form of Retirement Income. The normal form of retirement income shall be as follows:

(a) Unmarried Participants. If a Participant is not married on their Annuity Starting Date, their retirement income will be paid to them monthly for life, beginning with the first payment following their retirement and ending with the last payment payable prior to their death.

(b) Married Participants. If a Participant is married on their Annuity Starting Date, their retirement income will be paid to them in the form of a Qualified Joint and Survivor Annuity as described in Section 6.1(a).

ARTICLE VI.
BENEFIT ELECTIONS, SURVIVOR BENEFITS AND RELATED REDUCTIONS IN BENEFITS

Section 6.1 Automatic Surviving Spouse Benefit.

(a) Qualified Joint and Survivor Annuity. A Participant who is married on their Annuity Starting Date, shall be paid a benefit for their life equal to that percentage determined by their attained age and the attained age of their spouse, set forth in the Table of Contingent Annuitant Percentages attached to the Plan as Table 2, of their normal retirement income under Section 5.2, their early retirement income under Section 5.4 or their disability retirement income under Section 5.5; and their spouse, if such spouse survives them, shall be paid a benefit equal to 50% of their reduced benefit. For any Participant retiring on a Late Retirement Date, Table 2 shall be applied based on the Participant's attained age and the attained age of the Participant's spouse as of the Participant's Late Retirement Date.

If a Participant's spouse dies within two years of the date payments to the Participant begin under this Section 6.1(a), beginning with the first payment following the death of such spouse, monthly retirement income payments to the Participant will be adjusted to be equal to the monthly amount that would have been paid to the Participant if the Participant's benefit had been determined solely under Section 5.8(a).

(b) Qualified Preretirement Survivor Annuity.

(i) Death Prior to Early Retirement Eligibility and Prior to Completing Ten Years of Service. In the event of the death of an actively employed married Participant who had competed at least five Years of Service but before they had completed at least ten Years of Service, such Participant's spouse shall be entitled to a benefit, payable, if such spouse is then surviving, on the first day of the month coincident with, or next following the later of (A) the date of the Participant's death or (B) the date the Participant would have attained age 55 had they survived, elected the 50% contingent annuity form of benefit, as determined under Table 2 based on their and their spouse's then attained ages, and then died.

(ii) Death Prior to Early Retirement Eligibility but After Ten Years of Service. In the event of a married Participant's death while actively employed, after they have completed ten Years of Service but prior to becoming eligible for Early Retirement, such Participant's spouse shall be entitled to receive the same monthly benefit to which the Participant would have been entitled had the Participant retired on the day before their death and had elected to receive the 100% contingent annuity form of benefit. The amount of such benefit shall be determined under Table 4, based on their attained age and the attained age of their spouse, except that for purposes of applying Table 4, the Participant's attained age, if less than age 55, shall be considered to be age 55 and their spouse's age shall be adjusted so that it bears the same relationship to age 55 as their actual attained ages bear to each other.

(iii) Death After Becoming Eligible for Early Retirement. In the event of a married Participant's death, while actively employed, while they are eligible for Early Retirement but for the applicable notice requirement under Section 4.2(a), such Participant's spouse shall be entitled to receive the same monthly benefit to which the Participant would have been entitled had the Participant retired on the day before their death and had elected to receive the 100% contingent annuitant form of benefit as determined under Table 4, based on their attained age and the attained age of their spouse.

(iv) Death After Becoming Eligible for Normal Retirement. In the event of a married Participant's death while actively employed, after their Normal Retirement Date, such Participant's spouse shall be entitled to receive the same monthly benefit to which the Participant would have been entitled had the Participant retired on their Late Retirement Date and had elected to receive the 100% contingent annuitant form of benefit as determined under Table 4, based on their attained age and the attained age of their spouse.

(v) Death of Vested Terminated Participant. In the event of a married Participant's death after they have completed five Years of Service, but before they had become eligible for Early Retirement, and who was not actively employed at the time of their death, such Participant's spouse shall be entitled to a benefit, payable, if such spouse is then surviving, on the first day of the month coincident with, or next following the later of (A) the date of the Participant's death or (B) the date the Participant would have attained age 55 had they survived, elected the 50% contingent annuity form of benefit, as

determined under Table 2 based on their and their spouse's then attained ages, and then died. Notwithstanding the foregoing, in the event a married Participant who is no longer actively employed dies after they have become eligible to elect to receive retirement income benefits under Section 8.1 and before their Normal Retirement Date, such Participant shall be considered to be actively employed on the date of their death, and their spouse, if surviving, will receive a benefit in accordance with Section 6.1(b)(iii) above.

Any benefit payable under this Section 6.1 shall terminate on the surviving spouse's death.

Section 6.2 Notice and Election Procedures.

(a) Initial Notice and Election. Within 180 days (90 days for plan years beginning prior to January 1, 2007) before a Participant's Annuity Starting Date, the Administration Committee shall supply the Participant with a written explanation describing the terms and conditions of the normal form of benefit payable to them under Section 5.8, the financial effect of the other forms of benefit available to them under the Plan and the relative value of the other forms of benefit compared to the normal form of benefit. The explanation shall also describe the Participant's right to waive the normal form of benefit and the effect of such waiver, the rights of the Participant's spouse, the right to revoke a previous waiver of the normal form of benefit, the effect of such a revocation and, if the Participant has not reached their Normal Retirement Date, the consequences of failing to defer payment until a later payment date. Finally, the explanation shall advise the Participant that their benefit shall be paid in such normal form, unless within 180 days (90 days for plan years beginning prior to January 1, 2007) before their Annuity Starting Date, they notify the Administration Committee of an election to receive a different form of benefit, and, if they are married:

(i) their spouse consents to their election in writing,

(ii) such election designates a Contingent Annuitant(s) other than their spouse (or form of benefit) that may not be changed without spousal consent, or the spouse's consent acknowledges the spouse's right to limit consent to a specific Contingent Annuitant(s) (or form of benefit), and expressly and voluntarily permits designations by the Participant without any requirement of further consent by the spouse; and

(iii) the spouse's consent acknowledges the effect of such election and is witnessed by a notary public.

(iv) Spouse shall mean effective June 26, 2013, the individual to whom a Participant is married, including a marriage of same-sex spouses that was validly entered into in a domestic or foreign jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple resides in a domestic or foreign jurisdiction that does not recognize the validity of same-sex marriages. Marriage does not include registered domestic partnerships, civil unions, or other similar formal relationships recognized under state law that are not denominated as a marriage under that state's law, and the term "Spouse" does not include individuals who have entered into such a formal relationship. Spouse means the spouse of a Participant on the date

benefits under the Plan commence, however, if the Participant should die prior to the date benefits under the Plan would have commenced to them, then the spouse will be the spouse to whom the Participant was married on the date of death. To the extent provided, under a qualified domestic relations order, the "Spouse" means a former Spouse of the Participant.

(b) Election Period; Extension of Election Period. A Participant's election period under this Section 6.2 shall be the 180-day period (90-day period for plan years beginning prior to January 1, 2007) ending on their Annuity Starting Date. If, by not later than the day before their Annuity Starting Date, the Participant notifies the Administration Committee of an election not to receive the normal form of benefit payable to them under Section 5.8, and their spouse (if any) has consented to such election, their benefit shall be paid in the alternate form selected by the Participant.

However, if by not later than the day before their Annuity Starting Date, the Participant requests the Administration Committee to furnish them with additional information relating to the effect of the normal form of benefit payable to them under the Plan, the election period under this Section 6.2 shall be extended and their Annuity Starting Date shall be postponed to a date not later than 180 days (90 days for plan years beginning prior to January 1, 2007) following the date the Administration Committee furnishes them with the additional information.

(c) Change of Election - Optional Form of Benefit. Any Participant electing an optional form of benefit under Section 6.3 or Section 6.4 may revoke such election and file a new election with the Administration Committee at any time prior to the Participant's Annuity Starting Date. Upon the Participant's Annuity Starting Date, their election shall become irrevocable.

(d) Notice and Election Procedures for Qualified Preretirement Survivor Annuity. Within the one-year period beginning on the date an Employee becomes a Participant, the Administration Committee shall provide the Participant with a written explanation of the spouse's preretirement death benefit. The written explanation shall notify the Participant that if they are married and they die before their Annuity Starting Date, their spouse shall receive the spouse's preretirement death benefit determined under Section 6.1(b).

Section 6.3 Monthly Income for Life Election. A Participant who is married on their Annuity Starting Date may, with their spouse's written and notarized consent, elect to have their normal or late retirement income under Section 5.2, their early retirement income under Section 5.4, or their disability retirement income under Section 5.5, in each case as limited by Section 5.6 and 5.7, paid in the form described in Section 5.8(a).

Section 6.4 Survivor and Lump Sum Benefits Available by Election.

(a) Participants whose benefits are not subject to an automatic surviving spouse benefit under Section 6.1 or who, with their spouse's written and notarized consent as described in Section 6.2, elect not to accept an automatic surviving spouse benefit may elect to provide benefits for their Contingent Annuitants as described below, or effective January 1, 2019, elect payment of benefits in the form of a lump sum payment if they meet the conditions set forth in subsection (h) below.

(b) Upon written notice executed by a Participant and filed with their Employer at least 60 days prior to their actual retirement date, a Participant may, subject to the limitations of this Section 6.4, designate any individual as their Contingent Annuitant and at the same time elect:

(i) a reduced benefit for life with the continuation of (A) 50%, (B) 75% (effective for Annuity Starting Dates after June 30, 2008), (C) 66-2/3%, or (D) 100% of such reduced benefit to their surviving Contingent Annuitant for the life of such Contingent Annuitant; or

(ii) a reduced benefit for life with the continuation of 100% of such reduced benefit to their Contingent Annuitant only to the extent required for the total number of monthly payments to the Participant and their Contingent Annuitant to equal either (A) 60, (B) 120, or (C) 180.

(c) In the event of such a designation and election, the reduced retirement income payments will be paid to the Participant, commencing on their Normal, Late, Early or Disability Retirement Date. The first payment, if any, to the Contingent Annuitant shall be made on the first day of the calendar month coincident with or following the death of the Participant, or as soon as administratively possible following the death of the Participant, provided payment is made retroactively to the first day of the month following the Participant's death. Payments to the Participant shall terminate with the last payment payable preceding their death.

(d) Any such election shall become effective upon the Participant's retirement unless otherwise provided by the Participant. The amount of the Participant's reduced retirement benefit shall be determined by multiplying their normal, late, early or disability retirement income by a percentage set forth in Table 2, 3, 4, or 4(a), as appropriate, depending upon their age and the age of their Contingent Annuitant as of the Participant's actual retirement date.

(e) If a Contingent Annuitant dies within two years of the date payments to the Participant begin under this Section 6.4, other than payments in a form described in Section 6.4(b)(ii), monthly retirement income payments to the Participant will be adjusted beginning with the first payment following the death of such Contingent Annuitant, to be equal to the monthly amount that would have been paid to the Participant if the Participant's benefit had been determined solely under Section 5.8(a). No such adjustment will be made to the benefit of a Participant whose benefit is being paid in a form described in Section 6.4(b)(ii).

(f) If a Participant's Contingent Annuitant is anyone other than their spouse, the present value of the payments to be made to the Participant as of the date such payments are to commence, computed by using the same mortality and interest assumptions as are used for purposes of Tables 2, 3, 4, and 4(a) must be more than 50% of the present value, as of such date and similarly computed, of all payments to be made to the Participant and their Contingent Annuitant. Any election of a Contingent Annuitant made in violation of this provision shall be void.

(g) In the event of the death of the Participant's Contingent Annuitant prior to the Participant's actual retirement date, the election of a Contingent Annuitant under Section 6.4 shall be inoperative.

(h) Effective January 1, 2019, a Participant whose Annuity Starting Date occurs on or after January 1, 2019, and who retires from employment with the Employer on or after December 31, 2018, may elect to receive their vested Accrued Benefit in a single sum payment which shall be an amount equal to the Actuarial Equivalent present value of the Participant's vested Accrued Benefit which would otherwise be payable at the Participant's Normal Retirement Date, excluding the value of any early retirement subsidy.

Section 6.5 Death Benefits for Unmarried Participants. An unmarried Participant who is actively employed on or after January 1, 2006 and who has completed at least five Years of Service may designate a Contingent Annuitant. The benefit to be provided to that Contingent Annuitant shall be as specified in (a) through (c) below:

(a) For Active and Terminated Vested Participants: Death Prior to Early Retirement Eligibility and Prior to Completing Ten Years of Service. In the event of an unmarried Participant's death after they have completed five Years of Service, but before they have become eligible for Early Retirement, whether such Participant is then actively employed or not, such Participant's Contingent Annuitant shall be entitled to a benefit, payable, if such Contingent Annuitant is then surviving, on the first day of the month coincident with or next following the later of (i) the date of the Participant's death or (ii) the date the Participant would have attained age 55 had they survived. The amount of such benefit shall be the same amount that such surviving Contingent Annuitant would have received had such Participant terminated their service, survived to age 55, elected the 50% contingent annuity form of benefit, as determined under Table 2 based on their and their Contingent Annuitant's then attained ages, and then died.

(b) For Active Participants: Death Prior to Early Retirement Eligibility but After Ten Years of Service. In the event of an unmarried Participant's death while actively employed, after they have completed ten Years of Service but prior to becoming eligible for Early Retirement, such Participant's Contingent Annuitant shall be entitled to receive the same monthly benefit to which the Participant would have been entitled had the Participant retired on the day before their death and elected to receive the 100% contingent annuity form of benefit. The amount of such benefit shall be determined under Table 4, based on their attained age and the attained age of their Contingent Annuitant, except that for purposes of applying Table 4, the Participant's attained age, if less than age 55, shall be considered to be age 55 and their Contingent Annuitant's age shall be adjusted so that it bears the same relationship to age 55 as their actual attained ages bear to each other.

(c) Death After Becoming Eligible for Early Retirement.

(i) Actively Employed Participants. In the event of an unmarried Participant's death, while actively employed and after becoming eligible for Early Retirement including after the Participant's Normal Retirement Date, such Participant's Contingent Annuitant shall be entitled to receive the same monthly benefit to which the Participant

would have been entitled had the Participant retired on the day before death and elected to receive the 100% contingent annuitant form of benefit as determined under Table 4, based on their attained age and the attained age of their Contingent Annuitant.

(ii) Terminated Participants. In the event of an unmarried Participant's death after their employment with the Employer has terminated and after becoming eligible for Early Retirement including after the Participant's Normal Retirement Date, such Participant's Contingent Annuitant shall be entitled to receive the same monthly benefit to which the Participant would have been entitled had the Participant retired on the day before death and elected to receive the 100% contingent annuitant form of benefit as determined under Table 4, based on their attained age and the attained age of their Contingent Annuitant.

(d) Any benefit payable under this Section 6.5 shall terminate on the surviving Contingent Annuitant's death.

Section 6.6 Required Distributions - Code Section 401(a)(9). Distributions under this Section 6.6 shall be made in accordance with section 401(a)(9) of the Code and the regulations thereunder, as generally described in this Section 6.6. The provisions of this Section 6.6 shall supersede any distribution option otherwise provided in the Plan to the extent that it is inconsistent with section 401(a)(9) of the Code, but shall not create or increase any benefit. Notwithstanding anything in the Plan to the contrary, the form and the timing of all distributions under the Plan shall be in accordance with regulations issued by the Department of the Treasury under section 401(a)(9) of the Code, including the incidental death benefit requirements of section 401(a)(9)(G) of the Code. The Plan shall apply the minimum distribution requirements of section 401(a)(9) of the Code in accordance with the final regulations under section 401(a)(9) that were published on April 17, 2002 and June 15, 2004, as set forth in Treas. Reg. § 1.401(a)(9)-2 through 1.401(a)(9)-9. The provisions of this Section 6.6 shall override any provisions of the Plan to the contrary.

(a) Time and Manner of Distribution.

(i) Required Beginning Date. The Participant's entire interest shall be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.

(ii) Death of Participant Before Distributions Begin. If the Participant dies before distributions begin and the Participant's beneficiary is entitled to receive a death benefit, the Participant's entire interest shall be distributed, or begin to be distributed, no later than as follows:

(A) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, then distributions to the surviving spouse shall begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have reached age 70½, if later.

(B) If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, then distributions to the Designated Beneficiary shall begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(C) If there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death and benefits are payable in the form of a life and certain annuity under Section 6.4(b), the Participant's entire interest shall be distributed to the Participant's estate by the December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(D) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 6.6(a)(ii), other than Section 6.6(a)(ii)(A), shall apply as if the surviving spouse were the Participant.

For purposes of this Section 6.6(a)(ii) and Section 6.6(d), distributions are considered to begin on the Participant's Required Beginning Date (or, if Section 6.6(a)(ii)(D) applies, the date distributions are required to begin to the surviving spouse under Section 6.6(a)(ii)(A)). If annuity payments irrevocably commence to the Participant before the Participant's Required Beginning Date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 6.6(a)(ii)(B)), the date distributions are considered to begin is the date distributions actually commence.

(iii) Form of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Beginning Date, as of the first Distribution Calendar Year distributions shall be made in accordance with Section 6.6(b), (c) and (d). If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder shall be made in accordance with the requirements of section 401(a)(9) of the Code and the regulations thereunder.

(b) Determination of Amount to be Distributed Each Year.

(i) General Annuity Requirements. If the Participant's interest is paid in the form of annuity distributions under the Plan, payments under the annuity shall satisfy the following requirements:

(A) the annuity distributions shall be paid in periodic payments made at intervals not longer than one year;

(B) the distribution period shall be over a life (or lives) or over a period certain not longer than the period described in Section 6.6(c) and (d);

(C) once payments have begun over a period certain, the period certain shall not be changed even if the period certain is shorter than the maximum permitted;

(D) payments shall either be non-increasing or increase only as follows:

(1) by an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the United States Bureau of Labor Statistics;

(2) to the extent of the reduction in the amount of the Participant's payments to provide for a survivor benefit upon death, but only if the beneficiary whose life was being used to determine the distribution period described in Section 6.6(c) dies or is no longer the Participant's beneficiary pursuant to a qualified domestic relations order within the meaning of section 414(p) of the Code;

(3) to provide cash refunds of employee contributions upon the Participant's death; or

(4) to pay increased benefits that result from a Plan amendment.

(ii) Amount Required to be Distributed by Required Beginning Date. The amount that must be distributed on or before the Participant's Required Beginning Date (or, if the Participant dies before distributions begin, the date distributions are required to begin under Section 6.6(b)(i)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the Participant's benefit accruals as of the last day of the first Distribution Calendar Year shall be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Participant's Required Beginning Date.

(iii) Additional Accruals After First Distribution Calendar Year. Any additional benefits accruing to the Participant in a calendar year after the first Distribution Calendar Year shall be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

(c) Requirements for Annuity Distributions that Commence During Participant's Lifetime.

(i) Joint Life Annuities Where the Beneficiary is Not the Participant's Spouse. If the Participant's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the Participant and a non-spouse beneficiary, annuity payments to be made on or after the Participant's Required Beginning Date to the Designated Beneficiary after the Participant's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the Participant using the table set forth in Q&A-2 of Treas. Reg. § 1.401(a)(9)-6. If the Annuity Starting Date precedes the year in which the Participant reaches age 70, the age difference to be used in determining the applicable percentage

referred to in the preceding sentence is reduced by the number of years that the Participant is younger than age 70 on their birthday in the calendar year that contains the Annuity Starting Date. If the form of distribution combines a joint and survivor annuity for the joint lives of the Participant and a non-spouse beneficiary and a period certain annuity, the requirement in the preceding two sentences shall apply to annuity payments to be made to the Designated Beneficiary after the expiration of the period certain.

(ii) Period Certain Annuities. Unless the Participant's spouse is the sole Designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the Participant's lifetime may not exceed the applicable distribution period for the Participant under the Uniform Lifetime Table set forth in Treas. Reg. § 1.401(a)(9)-9 for the calendar year that contains the Annuity Starting Date. If the Annuity Starting Date precedes the year in which the Participant reaches age 70, the applicable distribution period for the Participant is the distribution period for age 70 under the Uniform Lifetime Table set forth in Treas. Reg. § 1.401(a)(9)-9 plus the excess of 70 over the age of the Participant as of the Participant's birthday in the year that contains the Annuity Starting Date. If the Participant's spouse is the Participant's sole Designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the Participant's applicable distribution period, as determined under this Section 6.6(c)(ii), or the joint life and last survivor expectancy of the Participant and the Participant's spouse as determined under the Joint and Last Survivor Table set forth in Treas. Reg. § 1.401(a)(9)-9, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the calendar year that contains the Annuity Starting Date.

(d) Requirements For Minimum Distributions Where Participant Dies Before Date Distributions Begin.

(i) Participant Survived by Designated Beneficiary. If the Participant dies before the date distribution of their interest begins and there is a Designated Beneficiary entitled to a death benefit under the Plan, the Participant's entire interest will be distributed, beginning no later than the time described in Section 6.6(a)(ii)(A) or (B) over the life of the Designated Beneficiary or over a period certain not exceeding:

(A) unless the Annuity Starting Date is before the first Distribution Calendar Year, the life expectancy of the Designated Beneficiary determined using the Designated Beneficiary's age as of the Designated Beneficiary's birthday in the calendar year immediately following the calendar year of the Participant's death; or

(B) if the Annuity Starting Date is before the first Distribution Calendar Year, the life expectancy of the Designated Beneficiary determined using the Designated Beneficiary's age as of the Designated Beneficiary's birthday in the calendar year that contains the Annuity Starting Date.

(ii) No Designated Beneficiary. If the Participant dies before the date the distribution of their interest begins, the Participant's surviving spouse is the Participant's sole Designated Beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this Section 6.6(d) will apply as if the surviving spouse were the Participant, except that the time by which distributions must begin will be determined without regard to Section 6.6(a)(ii)(A).

(e) Definitions.

(i) Designated Beneficiary. The individual who is designated as the Contingent Annuitant under Section 2.1(i) of the Plan and is the designated beneficiary under section 401(a)(9) of the Code and section 1.401(a)(9)-1, Q&A-4 of the Treasury regulations.

(ii) Distribution Calendar Year. A calendar year for which a minimum distribution is required. The first Distribution Calendar Year is the calendar year immediately preceding the calendar year that contains the Participant's Required Beginning Date.

(iii) Life Expectancy. Life expectancy as computed by use of the Single Life Table in Treas. Reg. § 1.401(a)(9)-9.

(iv) Required Beginning Date. April 1 of the calendar year following the year in which a Participant reaches age 70½ (age 72 for distributions required to be made after December 31, 2019 with respect to a Participant who attains age 70-½ after such date). The monthly pension of a Participant whose Required Beginning Date is April 1 of the calendar year in which they incur a separation from service shall include an Actuarial Equivalent adjustment to reflect the commencement of payments after April 1 following the calendar year in which they attained age 70-½. The Actuarial Equivalent adjustment described in the preceding sentence for any year shall reduce (but not below zero) any increase in the Participant's Accrued Benefit for the year attributable to additional Years of Service for benefit accrual and Final Average Earnings.

Section 6.7 Distributions Pursuant to a Qualified Domestic Relations Order. Any benefit payable to an alternate payee pursuant to a qualified domestic relations order ("QDRO"), as those terms are defined in section 414(p) of the Code, shall be paid in accordance with the terms of the QDRO. If permitted under the terms of the QDRO, an alternate payee may elect payment of benefits pursuant to a QDRO in the form of an Actuarially Equivalent lump sum distribution; provided, however that the alternate payee must exercise this election within the 90-day period following the notice to the alternate payee that the domestic relations order issued is a QDRO. Notwithstanding the foregoing, an alternate payee may not elect a lump sum form of distribution if payment of the Participant's benefit has commenced prior to the alternate payee's benefit election.

Section 6.8 Limited Lump Sum Election.

(a) Eligibility. A Participant who has terminated employment with a vested Accrued Benefit, who is entitled to benefits as of June 30, 2014, may elect to receive their benefit in a single lump sum payment, if the Participant satisfies the following criteria:

(i) the Participant has neither been reemployed by the Employer nor commenced benefits under the Plan prior to the date of distribution is made under this Section;

(ii) the Participant's benefit is not subject to payment pursuant to Section 6.6 as a required minimum distribution or Section 6.7 according to a QDRO; and

(iii) the Participant effectively returns a properly completed application for distribution under this Section, in such form and manner as required by the Administration Committee, during the period that begins September 10, 2014 and ends October 24, 2014, or such other dates established by the Administration Committee to provide an election period of no fewer than 30 days and applied in a uniform and nondiscriminatory manner.

(b) Distribution to Beneficiary. If a Participant described in subsection (a) is deceased, and if such Participant's surviving spouse or Contingent Annuitant is entitled to a future benefit under the Plan that has not yet commenced under the Plan prior to the date of distribution under this Section, such surviving spouse or Contingent Annuitant may elect to receive a distribution in the form of a single lump sum payment, if the surviving spouse or Contingent Annuitant effectively returns a properly completed application for distribution under this Section no later than October 24, 2014, in such form and manner as required by the Administration Committee.

(c) Amount. The amount of the single lump sum payment under this Section shall be an amount equal to the Actuarial Equivalent present value of the Participant's vested Accrued Benefit which would otherwise be payable at the Participant's Normal Retirement Date, as of November 1, 2014, including the value of any early retirement subsidy if the Participant is eligible for an Early Retirement Date.

(d) Early Commencement of Benefits and Additional Forms of Distribution for Certain Participants.

(i) A Participant who satisfies the requirements of subsection (a) who is not yet eligible for a Normal Retirement Date or an Early Retirement Date shall be eligible for a single lump sum payment under this Section.

(ii) A Participant described in subsection (d)(i) shall also be eligible for the normal form of payment under Section 5.8, which for a married Participant shall be an annuity providing a reduced benefit for life with the continuation of either 50% or 75%, as elected, of such reduced benefit to their surviving spouse. The Actuarial Equivalent of such Accrued Benefit shall be reduced in accordance with the factors set forth in Section 5.4 assuming the Participant would have otherwise begun to receive their benefit upon attainment of age 55 or current age, if older, then further reduced using the "applicable mortality table" under section 417(e)(3) of the Code and the "applicable interest rate" under section 417(e)(3) of the Code for the third calendar month preceding the calendar year during which the Annuity Starting Date occurs to the extent their Annuity Starting Date precedes their Early Retirement Date.

(e) Spousal Consent. Notwithstanding anything in this Section to the contrary, any election under this Section by a married Participant of any form of distribution, other than the normal form of benefit payable to them under Section 5.8, shall be subject to the spousal consent and notification requirements described in Section 6.2.

(f) Time of Distribution. Any single lump sum distributions elected under this Section must commence on November 1, 2014 or as soon as administratively feasible thereafter to cause all single lump sum distributions under this Section to occur during 2014.

(g) Closure of Limited Election Period. Notwithstanding anything to the contrary, nothing under this Section shall provide any Participant, spouse, surviving spouse or Contingent Annuitant the right to distribution in the form of a single lump sum payment that does not, for any reason whatsoever, satisfy all of the terms and conditions set forth in this Section.

ARTICLE VII.
BENEFIT PAYMENTS

Section 7.1 Purchase of Annuities. All retirement income will be provided either through (i) the purchase of annuities from, or other contractual arrangements with, an Insurance Company; or (ii) by direct payment from the Trust, as determined from time to time by the Administration Committee.

(a) In the event that a Participant, their surviving spouse, or their Contingent Annuitant is entitled to a retirement income of less than $10 monthly, that retirement income may be paid quarterly, semi-annually, or annually, in amounts equal to 3, 6 or 12 times the monthly payment otherwise payable, respectively.

(b) Notwithstanding anything herein to the contrary, if the Actuarial Equivalent lump sum present value of a Participant's vested retirement income is $5,000 or less on the date their distribution commences, such amount shall be paid to the Participant in a single cash lump sum without the Participant's consent as soon as administratively feasible in accordance with the following:

(i) If the Actuarial Equivalent present value of a Participant's vested retirement income is $1,000 or less and the Participant does not elect to have such distribution paid directly to an "eligible retirement plan" in accordance with Section 7.2 of the Plan, the Participant's retirement income shall be paid directly to the Participant in a cash lump sum.

(ii) If the Actuarial Equivalent present value of a Participant's vested retirement income is more than $1,000 but does not exceed $5,000 and the Participant does not affirmatively elect to have such distribution paid directly to them or to an "eligible retirement plan" in accordance with Section 7.2 of the Plan, the Participant's retirement income shall be paid directly to an individual retirement account or annuity (an "IRA") established for the Participant pursuant to a written agreement between the

Administration Committee and the provider of the IRA that meets the requirements of section 401(a)(31) of the Code and the regulations thereunder. The Administration Committee shall establish and maintain procedures to inform each Participant to whom this Section 7.1(b)(ii) applies of the nature and operation of the IRA and the Participant's investments therein, the fees and expenses associated with the operation of the IRA, and the terms of the written agreement establishing such IRA on behalf of the Participant.

Section 7.2 Direct Rollovers.

(a) Eligibility. If one or more distributions from the Plan constitutes an "eligible rollover distribution" within the meaning of sections 402(c)(2) and (4) of the Code, a distributee may elect to have all or a portion (but not less than $500) of the distribution paid directly to an "eligible retirement plan." As used herein, "eligible retirement plan" means an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, an annuity contract described in section 403(b) of the Code, or a qualified trust described in section 401(a) of the Code that accepts the distributee's eligible rollover distribution. An eligible retirement plan also includes an eligible plan under section 457(b) of the Code that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and that agrees to account separately for amounts transferred into such plan from this Plan. For any portion of an eligible rollover distribution consisting of after-tax contributions that are not includable in gross income, an eligible retirement plan must agree to separately account for such portion. With respect to a distributee who is a non-spouse beneficiary, "eligible retirement plan" means an individual retirement account or annuity described in section 408(a) or 408(b) of the Code that is established on behalf of the designated beneficiary and that will be treated as an inherited individual retirement annuity pursuant to the provisions of section 402(c)(11) of the Code. Effective for distributions made on or after January 1, 2008, a "qualified rollover contribution" as described in section 408A(e) of the Code may be made from the Plan to a Roth IRA in a direct rollover subject to the rules and provisions set forth in section 408A(e) of the Code and any regulations issued thereunder. The recipient may not elect to have portions of an eligible rollover distribution paid directly to more than one eligible retirement plan. In addition, the recipient will not be permitted to elect a direct rollover with respect to eligible rollover distributions that are reasonably expected to total less than $200 during the year.

(b) Procedures. The Administration Committee shall make such payment upon receipt from the recipient of the name of the eligible retirement plan to which such payment is to be made, a representation that the receiving plan is an "eligible retirement plan" as defined above, and such other information and/or documentation as the Administration Committee may reasonably require to make such payment.

(c) Failure to Elect. Except as otherwise provided under Section 7.1(b)(ii), if the recipient fails to elect whether or not a distribution is to be paid in a direct rollover, the recipient will be deemed to have elected not to have any portion of the distribution paid in a direct rollover.

(d) Application. For purposes of this Section 7.2, "distributee" means a Participant or former Participant. In addition, the Participant's or former Participant's surviving spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse. For distributions after June 30, 2008, the term distributee also shall include a beneficiary who is not the spouse or former spouse of the Participant or former Participant.

ARTICLE VIII.
VESTED BENEFITS IN THE EVENT OF TERMINATION OF EMPLOYMENT

Section 8.1 Vesting. A Participant whose employment is terminated for any reason other than death or retirement, and who has completed five or more Years of Service at the date of their termination of employment shall be entitled to receive a monthly retirement income beginning on their Normal Retirement Date equal to their normal retirement income under the Plan as in effect as of the date of their termination of employment, based on their full and partial Years of Service at such date of termination of employment. However, if they make written application to their Employer at least two months in advance, such a Participant shall be entitled to receive their benefit, reduced as provided in Section 5.4, beginning with the first day of any calendar month following the month in which the sum of the years of their attained age and their completed Years of Service is at least 70, provided they have then attained at least age 55. Notwithstanding the foregoing, a Participant shall automatically become 100% vested on the date they reach age 65.

Section 8.2 Payment of Vested Termination Benefit.

(a) Forms of Payment. A Participant entitled to benefits under Section 8.1, shall, for purposes of Section 6.1(a) and Section 6.3, be treated as though the date on which their benefits under Section 8.1 are to begin were their actual retirement date. Such a Participant may elect any of the elective survivor benefits provided by Section 6.4.

(b) Termination Benefit For Certain Union Employees. A union Participant hired on or after January 1, 2001 but before January 1, 2006 who terminates employment with a vested Accrued Benefit on or after January 1, 2006, may elect to receive their benefit at any time in one of the following payment forms:

(i) a single lump sum payment in an amount equal to the Actuarial Equivalent present value of the Participant's vested Accrued Benefit which would otherwise be payable at the Participant's Normal Retirement Date, however, if the Participant is eligible for an Early Retirement Date at the time they terminate employment, the lump sum payment will reflect the value of the early retirement subsidy; or

(ii) a single life annuity which shall be the Actuarial Equivalent value of the single lump sum described in (i) above.

Notwithstanding the foregoing, if payment to the Participant occurred later than the close of the second Plan Year following the Plan Year in which such termination of employment occurred and such Participant is reemployed by the Employer, the Participant's Accrued Benefit shall be

restored upon reemployment without the requirement that they make restoration contributions, provided, however their subsequent Accrued Benefit, if any, payable upon their subsequent termination of employment shall be offset by the Accrued Benefit attributable to the prior distribution.

Section 8.3 Failure to Vest. A Participant whose employment is terminated for any reason other than death or retirement and who has not completed at least five Years of Service at the time of their termination of employment for any reason other than death or retirement shall not be entitled to any benefits under the Plan. Amounts forfeited under this provision shall be applied to reduce the obligation of the Company and its Designated Subsidiaries to contribute under the Plan.

ARTICLE IX.
RE-EMPLOYMENT AND BREAKS-IN-SERVICE

Section 9.1 Re-employment before July 1, 1976. If a Participant who terminated employment with the Employer is re-employed before July 1, 1976, they shall be considered a new Employee for purposes of this Plan. In determining the amount of their retirement income as a new Employee, however, if the Participant has vested retirement income benefits under Section 8.1 due to prior service, their benefit shall be computed under Section 5.2 as if their service was continuous. The benefit payable to such Participant as a new Employee shall be the excess of the benefit so computed over the benefit payable on account of that prior service, without regard to any actuarial reductions to which that prior service benefit may have been subject.

Section 9.2 Re-employment after June 30, 1976 and before July 1, 1985. If a Participant terminates employment with the Employer and is re-employed after June 30, 1976 and before July 1, 1985, all of their Years of Service shall be recognized for all purposes of the Plan unless, at the time of their return to employment, the period of their absence was at least a one-year Break-in-Service, in which event:

(a) Years of Service occurring before the Break-in-Service shall not thereafter be recognized for any purpose of the Plan unless, immediately following the Break-in-Service, they completed one Year of Service; and,

(b) if, before the Break-in-Service, the Participant had no vested retirement income benefit under Section 8.1, Years of Service before the Break-in-Service shall not thereafter be recognized for any purpose of the Plan unless the number of Years of Service before the Break-in-Service exceeds the number of consecutive years of Break-in-Service.

Section 9.3 Re-employment after June 30, 1985. If a Participant terminates employment with the Employer and is re-employed after June 30, 1985, all of their Years of Service shall be recognized for all purposes of the Plan unless, at the time of their return to employment, the period of their absence was at least five consecutive Breaks-in-Service, in which event:

(a) Years of Service occurring before those Breaks-in-Service shall not thereafter be recognized for any purpose of the Plan unless, immediately following those Breaks-in-Service, they have completed one Year of Service; and,

(b) if, before those Breaks-in-Service, the Participant had no vested retirement income benefit under Section 8.1, Years of Service before those Breaks-in-Service shall not thereafter be recognized for any purpose of the Plan unless the number of Years of Service before those Breaks-in-Service exceeds the greater of five or the number of consecutive Breaks-in-Service.

Section 9.4 General. Anything herein to the contrary notwithstanding, a Break-in-Service shall not reduce any Participant's vested retirement income benefit, determined immediately before the Break-in-Service, nor shall Section 9.2 or Section 9.3 be interpreted to restore credit for Years of Service disregarded by reason of some earlier Break(s)-in-Service.

Section 9.5 Reinstatement of Years of Service for Benefit Accrual. A Participant's Years of Service for benefit accrual attributable to a prior cash-out or lump sum payment equal to the Actuarial Equivalent present value of a Participant's Accrued Benefit, shall be restored upon reemployment of the Participant if payment was made to the Participant later than the last day of the second Plan Year following the Participant's termination from employment with the Employer. Upon subsequent termination, the Accrued Benefit payable to the Participant shall be offset by the value of the previous lump sum distribution.

ARTICLE X.
VETERANS' RE-EMPLOYMENT RIGHTS

Section 10.1 Qualified Military Service. Notwithstanding any provision of the Plan to the contrary, contributions, benefits and service credit with respect to Qualified Military Service will be provided in accordance with section 414(u) of the Code as summarized below:

(a) Crediting Service.

(i) An Employee re-employed by the Employer in accordance with Chapter 43 of Title 38 of the United States Code shall be treated as not having incurred a Break-in-Service with the Employer by reason of such Employee's period of Qualified Military Service.

(ii) Upon re-employment by the Employer in accordance with Chapter 43 of Title 38 of the United States Code, an Employee's period of Qualified Military Service shall be deemed service with the Employer for purposes of determining the vested percentage of the Employee's account.

(b) Earnings. An Employee who is in Qualified Military Service shall be treated as receiving Earnings from the Employer during such period of Qualified Military Service equal to:

(i) the Earnings the Employee would have received during such period if the Employee were not in Qualified Military Service, determined based on the rate of pay the Employee would have received from the Employer but for absence during the period of Qualified Military Service; or

(ii) if the Earnings the Employee would have received during such period was not reasonably certain, the Employee's average Earnings from the Employer during the 12-month period immediately preceding the Qualified Military Service (or, if shorter, the period of employment immediately preceding the Qualified Military Service).

Section 10.2 Death While In Qualified Military Service. Effective for deaths occurring on or after January 1, 2007, to the extent required by section 401(a)(37) of the Code and regulations or other guidance issued thereunder, the survivors of a Participant who dies while performing qualified military service (as defined in section 414(u) of the Code) shall be eligible for any additional benefits (other than benefit accruals relating to the period of qualified military service) that would have been provided under the Plan if the Participant had resumed employment and immediately thereafter terminated employment due to death.

ARTICLE XI.
PLAN ADMINISTRATION

Section 11.1 Administration Committee. The Plan shall be administered by the Administration Committee, which shall be a "named fiduciary" of the Plan and the Plan's "administrator," as those terms are defined by ERISA, and its agent designated to receive service of process. All matters relating to the administration of the Plan, including the duties imposed upon the Plan administrator by law, except those duties relating to the control or management of Plan assets, shall be the responsibility of the Administration Committee. No member of the Administration Committee shall act on any matter in which they alone are personally interested under the Plan. Except as may otherwise be provided by the Plan, the Administration Committee shall have all powers necessary or appropriate to administer and manage the Plan (except those authorities relating to the control or management of Plan assets) including, but not by way of limitation, the following:

(a) To interpret the provisions of the Plan and to decide any dispute that may arise regarding the rights of Participants thereunder. Any such determinations shall apply uniformly to all persons similarly situated and shall be binding and conclusive upon all interested persons.

(b) To determine all questions affecting the eligibility of any Employee to participate in the Plan, including, without limitation, to determine whether any individual performing services as an independent contractor is an Employee eligible to participate in the Plan and, if so, for what period.

(c) To compute the amount of benefits payable hereunder to any Participant.

(d) To authorize the application of funds to provide the retirement income benefits of Participants, surviving spouses and Contingent Annuitants.

(e) To appoint an actuary who shall make all actuarial computations required in the administration of the Plan, including those necessary to enable the Company and its Designated subsidiaries to comply with the provisions of Section 12.1.

(f) To employ such accountants, attorneys, consultants and other advisors as may be necessary or appropriate to the administration of the Plan and to delegate authority to such one or more members of the Administration Committee or such other Employee of an appropriate Employer as the Administration Committee shall determine.

(g) To prescribe from time to time, with the advice of an actuary, such actuarial assumptions as are necessary for the operation of the Plan. The factors and assumptions embodied in Tables 1 through 5 may be changed only by Plan amendment pursuant to Section 16.1(a).

(h) To authorize an amendment to the Plan extending the Plan to a group or groups of acquired employees in accordance with the terms and conditions set forth in any acquisition agreement previously approved by the Board of Directors, provided that no service shall be credited for benefit accrual purposes prior to the date on which the Plan is extended by the Company to the group or groups of acquired employees, except as specifically provided in the agreement approved by the Board of Directors.

Section 11.2 Investment Committee. All matters relating to the control and management of Plan assets shall, except to the extent delegated, be the responsibility of the Investment Committee. By way of example and not limitation, the Investment Committee shall perform the duties or assume the responsibilities listed below with respect to the Plan: (a) have the authority to select, appoint, retain or terminate service providers (e.g., trustees, custodians, investment managers and advisors, consultants); (b) enter into contracts or agreements with service providers; (c) establish formal criteria to select and monitor the performance of service providers; and (d) establish investment policies with respect to the funds supporting the Plan.

Section 11.3 Delegation and Allocation of Responsibility. Each of the Administration Committee and the Investment Committee may delegate their respective responsibilities to any individual and may allocate any of its responsibilities to one or more members of the Administration Committee or Investment Committee, as applicable. Persons to whom responsibilities have been delegated may not delegate to others any discretionary authority or discretionary control with respect to the management or administration of the Plan.

Section 11.4 Indemnification. The Company and Designated Subsidiaries shall, to the full extent permitted by law, indemnify and hold harmless each member of the Administration Committee and Investment Committee and each other director, officer or employee of the Company or of a Designated Subsidiary acting as a "fiduciary" of the Plan, as defined in section 3(21) of ERISA or any corresponding provisions of successor laws, against any liability or loss, including, without limitation, attorneys' fees and other expenses, excise taxes, judgments, fines and amounts paid in settlement, reasonably incurred by such "fiduciary" in connection with any claim (or actions or proceedings in respect thereof) arising out of or based upon an alleged breach of fiduciary duty, provided that they acted in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of the Plan and, with respect to any criminal proceeding, had no reasonable cause to believe their conduct was unlawful, and further

provided that the "fiduciary" shall have taken the steps required under any applicable insurance policy to preserve the coverage afforded by such insurance with respect to such liability or loss. If any action is brought against a "fiduciary" in respect of which indemnity may be sought against the Company or a Designated Subsidiary, they shall promptly notify the Company in writing of the institution of such action, and the Company shall assume the defense of such action, including the employment of counsel and payment of expenses, to the extent that the same is not assumed by the insurance company. The "fiduciary" shall bear the fees and expenses of any additional counsel retained by them.

Section 11.5 Claims Procedure. The Administration Committee shall administer a claims procedure as follows:

(a) Initial Claim. A Participant, surviving spouse or Contingent Annuitant (a "Claimant"), or the Claimant's authorized representative, who believes themselves entitled to benefits under the Plan and who does not begin to receive those benefits within 120 days after the claimed benefit date may claim those benefits by submitting to their Employer within 90 days after the expiration of that 120-day period, a written notification of their claim of right to such benefits. A claim for benefits must be made in accordance with the procedures established by the Administration Committee. Except for benefits paid pursuant to the small benefit cash out provisions of Section 7.1, no benefit shall be paid under the Plan until a proper claim for benefits has been submitted to the Administration Committee. The Participant's Employer shall forward that claim to the Administration Committee within five business days after it is filed.

(b) Procedure for Review. The Administration Committee shall establish administrative processes and safeguards designed to ensure and to verify that benefit claim determinations are made in accordance with the Plan document and that, where appropriate, the Plan provisions have been applied consistently with respect to similarly situated claimants.

(c) Claim Denial Procedure. In the event that the initial claim is wholly or partially denied, the Administration Committee shall, within 90 days (or in special cases, and upon prior written notice to the claimant, 180 days) of the receipt of the claim, provide written notice informing the Claimant of: (i) the reason or reasons for the denial, (ii) the specific reference to the Plan provisions on which the denial was based, (iii) any additional information which may be necessary to perfect the claim, with reasons therefor, and (iv) the procedure for reviewing the denial of the claim, including a description of the time limits applicable to the Plan's review procedures and a statement of the Claimant's right to bring a legal action following an adverse benefit determination on review.

(d) Appeal Procedure. In the case of an adverse benefit determination, the Claimant or their representative shall have the opportunity to appeal to the Administration Committee for review provided the Claimant submits a proper written application for appeal within 90 days of receipt of the notification of the adverse benefit determination. Failure to submit a proper application for appeal within such 90-day period will cause such

claim to be permanently denied. The Claimant shall have a right to: (i) review all pertinent documents and submit comments in writing, and (ii) receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits. The Administration Committee's review shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(e) Decision on Appeal. No later than 60 days after its receipt of the request for review, the Administration Committee shall render a decision in writing. If special circumstances require extension, and upon prior written notice to the claimant, the Administration Committee's decision may be given within 120 days after receipt of the request for review. In the case of an adverse benefit determination on appeal, the written notice shall include: (i) the specific reason or reasons for the adverse determination, (ii) the specific reference to the Plan provision(s) on which the denial is based, (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to the claim, and (iv) a statement of the Claimant's right to bring a legal action.

(f) Litigation. In order to operate and administer the claims procedure in a timely and efficient manner, any Claimant whose appeal with respect to a claim for benefits has been denied, and who desires to commence a legal action with respect to such claim, must commence such action in a court of competent jurisdiction within 90 days of receipt of notification of such denial. Failure to file such action by the prescribed time will forever bar the commencement of such actions.

Section 11.6 Plan Expenses. All fees of actuaries, accountants, attorneys, consultants or other advisors, and other expenses of the Plan, shall, as determined by the Administration Committee, be paid from the Fund or allocated among the Company and its Designated Subsidiaries.

ARTICLE XII.
CONTRIBUTIONS

Section 12.1 Contributions.

(a) Contributions to Meet Funding Standards. The Company and its Designated Subsidiaries, shall each contribute to the Plan, by deposit with the Insurance Company or with the Trustee or other fiduciary of any trust or other fund which may be established by the Company to hold, manage and invest amounts contributed under the Plan by the Company or its Designated Subsidiaries, an amount which shall not be less than the amount necessary to prevent an accumulated funding deficiency, as defined in section 412 of the Code, section 302 of ERISA, or corresponding provisions of successor laws, with respect to those of its Employees who are Participants in the Plan.

(b) Special Rule; Return of Contributions. It is intended that the Plan and the Fund shall continue to qualify under section 401(a) of the Code and that contributions are conditioned upon their deductibility under section 404 of the Code. Therefore, Section 12.1 shall be subject to the following provisions:

(i) The entire contribution attributable to any Plan Year as to which deductibility is disallowed shall be returned to the Employer, to the extent of the amount of the disallowance, within one year after the disallowance. Nondeductible contributions that are treated as *de minimis* pursuant to Revenue Procedure 90-49 shall be returned to the Employer within one year of the date of the Plan actuary's certification of such non-deductibility.

(ii) In the case of a contribution which is made in whole or in part by reason of a mistake of fact, so much of such contribution as is attributable to the mistake of fact shall be returnable to the Employer upon demand by the Administration Committee, upon presentation of evidence of the mistake of fact to the Insurance Company and of calculations as to the impact of such mistake. Demand and repayment must be effectuated within one year after the payment of the contribution to which the mistake applies.

Income and gains attributable to the excess contributions may not be recovered by the Employer. Losses attributable to such contributions shall reduce the amount the Employer may recover.

Section 12.2 Management of Funds. All funds to provide the benefits of the Plan shall be deposited with the Insurance Company or the Trustee to be held, managed and disposed of in accordance with the terms of the Insurance Contract, the Trust Agreement or any agreement with any Investment Manager. At no time and under no circumstances may the funds or any part thereof or income therefrom prior to the satisfaction of all liabilities for benefits under the Plan be used for or diverted to purposes other than the exclusive benefit of Participants, surviving spouses or Contingent Annuitants under the Plan. No one shall have any interest in or right to any part of the assets or the earnings of the funds, except as and to the extent expressly provided in the Plan.

ARTICLE XIII.
MISCELLANEOUS

Section 13.1 Liability of the Company. The Company and its Designated Subsidiaries shall have no liability for the payment of benefits under the Plan, except to make the contributions required under Section 12.1, nor shall the Company or any Designated Subsidiary have any liability for the administration of the funds or assets paid over to the Insurance Company, the Trustee or any Investment Manager, and each Participant, surviving spouse and Contingent Annuitant shall look solely to the Insurance Company, or Trustee for any payments or benefits under the Plan.

Section 13.2 Non-Alienation of Benefits. No benefits payable under the Plan shall be subject in any manner to anticipation, assignment or pledge and any attempt to anticipate, assign or pledge the same shall be void; and no such benefit shall be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of any Participant, surviving spouse or Contingent Annuitant. This Section 13.2 shall not preclude the Insurance Company or the Trustee from complying with the terms of a qualified domestic relations order as defined in section 414(p) of the Code, or applicable provisions of successor laws.

Section 13.3 Facility of Payment. If any Participant, surviving spouse or Contingent Annuitant is, in the judgment of either the Insurance Company or the Trustee, legally, physically or mentally incapable of personally receiving or receipting for any benefit due hereunder, the Insurance Company or the Trustee may make payment thereof to such other person, persons or institutions who, in the opinion of the Insurance Company or Trustee, are then maintaining or have custody of such Participant, surviving spouse or Contingent Annuitant until claim is made by the duly appointed guardian or other legal representative of such Participant, surviving spouse or Contingent Annuitant. Such payment shall constitute a full discharge of the liability of the Insurance Company or Trustee, to the extent thereof. Upon notice to the Insurance Company or Trustee of the appointment of a guardian or other legal representative of such Participant, surviving spouse or Contingent Annuitant, the Insurance Company or Trustee shall thereafter pay only to said guardian or other legal representative.

Section 13.4 Limitation on Benefits. Notwithstanding any other provisions of this Plan, the annual benefit, derived from Company, Designated Subsidiary or former Designated Subsidiary contributions, payable to any Participant under this Plan and any other defined benefit pension plan maintained by the Company or any Designated Subsidiary may not exceed the lesser of the amount determined under the primary limit or, effective until January 1, 2000, the combined limit provisions of Article C of Appendix 2, provided that in applying the combined limit any necessary reduction shall first be made in computing the benefit to be provided under this Plan.

Section 13.5 Right to Terminate Employment. The establishment or continuance of the Plan and of any Insurance Contract, Trust, or any contract with any Investment Manager, shall not confer upon any Participant the right to be continued in the employ of the Company or of any Designated Subsidiary and this Plan shall in no way restrict the right of the Company or of a Designated Subsidiary to terminate the employment of any employee, whether or not a Participant.

ARTICLE XIV.
TERMINATION OF THE PLAN - DISTRIBUTION OF ASSETS

Section 14.1 Order of Priorities. The Plan as a whole may be terminated at any time by the Board of Directors. In the event of such complete termination, or if for any reason the Plan is partially terminated the Accrued Benefits of all Participants affected by such complete or partial termination shall, to the extent then funded, become 100% vested. In the event of a complete or partial termination of the Plan, or upon a complete discontinuance of contributions required by Section 12.1, funds then held under the Plan for the benefit of affected Participants, surviving spouse and Contingent Annuitants shall be allocated to or for the benefit of the affected Participants, surviving spouse and Contingent Annuitants in the order set forth below and in the manner and amount provided in Sections 14.2 through 14.3.

(a) There shall first be credited to each Participant the amount, if any, necessary to provide that portion of their benefit derived from their own contributions.

(b) There shall then be credited to each Participant, surviving spouse and Contingent Annuitant whose benefit has been in pay status for at least three years as of the Plan's termination date, or whose benefit would have been in pay status during such period if the Participant had retired, and their benefit had begun immediately prior thereto, the amount, if any, necessary to provide the lowest level of benefit to which they were, or would have been, entitled under the provisions of the Plan in effect during the five-year period ending on the Plan's termination date.

(c) There shall then be credited to each Participant, surviving spouse and Contingent Annuitant whose vested Accrued Benefit has not been fully provided under (a) or (b) above, the amount, if any, necessary to provide that portion of their vested Accrued Benefit, determined immediately prior to the Plan's termination, which does not exceed the lesser of:

(i) a monthly annuity equal to the Participant's average monthly gross income during the five consecutive calendar years during which their gross income received from the Company was highest; or

(ii) $750 multiplied by a percentage computed by dividing the Social Security Act contribution and benefit base at the time the Plan terminates by that base as in effect during 1974.

The amount allocated under this Section 14.1(c) shall be determined without regard to whether the Participant would be considered a "substantial owner" within the meaning of section 4022(b)(6) of ERISA, or any corresponding provisions of successor laws.

(d) There shall then be credited to each Participant, surviving spouse and Contingent Annuitant whose benefit has not been provided under (a) or (b) above, the amount, if any, necessary to provide the portion of their vested Accrued Benefit, determined immediately prior to the Plan's termination, not provided under (c) above. If the Plan has been amended during that five-year period, the allocation of assets to benefits described in (d) which are attributable to such amendments shall be made on the basis of such amendments in the order in which they became effective.

(e) Finally, there shall be credited to each Participant, surviving spouse and Contingent Annuitant the amount, if any, necessary to provide any benefit to which they are entitled under the Plan to the extent such benefit has not been provided above.

(f) If the assets of the Plan are insufficient to provide in full the benefits described in (a), (b) or (c) above, the assets shall be allocated pro rata among all Participants, surviving spouses and Contingent Annuitants in the affected group on the basis of the present value, as of the Plan's termination date, of their respective benefits. If the assets of the Plan are insufficient to provide all benefits described in (d) (after all benefits described in (a) through (c) have been provided) those assets will first be allocated to any nonforfeitable benefits described in (d) under the Plan as in effect five years prior to the termination date, and thereafter to other benefits described in (d).

Section 14.2 Method of Allocation. The allocation of funds held under the Plan shall, with the advice of the actuary, be calculated by the Investment Committee on the foregoing basis as of the date on which the Plan is discontinued or contributions are completely discontinued. When the calculations have been completed, and the Company shall have obtained such governmental approvals of the allocation of Plan assets, including approval by the Pension Benefit Guaranty Corporation, as the Investment Committee may determine to be necessary, such funds shall be allocated to or for the benefit of the respective Participants, surviving spouses and Contingent Annuitants of each class in the order, and to the extent, stated in Section 14.1 above, except that (a) no Participant, surviving spouse or Contingent Annuitant shall be entitled to a share of any such funds greater than the actuarial value, at the date of such discontinuance of the Plan or contributions, of the total retirement income to which such Participant, surviving spouse or Contingent Annuitant would have been entitled under the Plan at the Participant's Normal Retirement Date pursuant to Sections 5.2, 5.6, and 5.7 had the Plan or contributions not been discontinued and had such Participant continued in employment until their Normal Retirement Date without change in Final Average Earnings, and (b) except to the extent required to comply with Title IV of ERISA, or any corresponding provisions of any successor laws, no assets previously allocated to the benefit of any Participant, surviving spouse or Contingent Annuitant shall be reallocated. The Investment Committee shall have the right to determine whether the distribution shall be applied to purchase retirement income under any Insurance Contract or paid in cash. Any assets remaining after the distributions described in this Section 14.2 have been completed shall be allocated among, and returned to, the Company and its Designated Subsidiaries on the basis determined by the Investment Committee, with the advice of the actuary.

Section 14.3 Restricted Benefits.

(a) In the event of termination of the Plan, the benefit due any Participant or former Participant who is one of the 25 highest paid Participants shall be restricted in the manner set forth in this Section 14.3(a).

(i) Benefit Restriction. The annual payments to a Participant described above in this Section 14.3(a) shall be restricted to an amount equal to the payments that would be made on behalf of such Participant under a single life annuity that is the Actuarial Equivalent of the sum of the Participant's Accrued Benefit and the Participant's other benefits, as described below.

(ii) Definition of "Benefits". For purposes of this Section 14.3(a), the term "benefits" shall include loans in excess of the amounts set forth in section 72(p)(2)(A) of the Code, any periodic income, any withdrawal values payable to a living Participant, and any death benefits not provided for by insurance on the Participant's life.

(iii) Restrictions Not Applicable. The restrictions described in this Section 14.3(a) shall not apply if:

(A) after payment to a Participant described in this Section 14.3(a) of all benefits described in Section 14.3(a)(ii), the value of the Plan assets equals or exceeds 110% of the value of the current liabilities as defined in section 412(1)(7) of the Code for Plan Years beginning prior to January 1, 2008, and for Plan Years beginning on or after January 1, 2008, the funding target (as defined under section 430 of the Code), or

(B) the value of the benefits described in Section 14.3(a)(ii) for a Participant described in this Section 14.3(a) is less than 1% of the value of current liabilities.

(b) Any excess reserves arising by application of the provisions of Section 14.3(a), shall be used for the benefit of the other Participants, surviving spouses and Contingent Annuitants in accordance with Section 14.1.

(c) The provisions of Section 14.3(a) shall not restrict the purchase in full of retirement income benefits, including vested deferred benefits, called for by the Plan for any retired Participant, surviving spouse or Contingent Annuitant while the Plan is in full effect and its full current costs have been met; nor shall it restrict the purchase of any retirement income benefits withheld for a prior year (under the foregoing provisions) after all deficits for all prior years and full current costs have been met.

Section 14.4 Severance of a Subsidiary. If at any time any Designated Subsidiary ceases to be a Subsidiary or a Designated Subsidiary prior to termination of the Plan, the Employees of that Subsidiary shall then cease to be Participants in the Plan, and shall accrue no further benefits hereunder.

ARTICLE XV.
GOVERNMENTAL APPROVAL

Anything in this Plan to the contrary notwithstanding, the adoption of the Plan and any amendment thereto shall be conditioned upon the receipt of (A) a determination from the Commissioner of Internal Revenue to the effect that the Plan qualifies under the applicable provisions of the Code and (B) any required approval or authorization under any other applicable statute or regulation. Effective February 1, 2017, the Internal Revenue Service has discontinued the determination letter application program such that (A) shall no longer apply.

ARTICLE XVI.
AMENDMENTS

Section 16.1 Amendment.

(a) The Company and its Designated Subsidiaries hope and expect to continue the Plan indefinitely, but reserve the right to suspend or discontinue the Plan, or to reduce or discontinue contributions hereunder. The Plan may be amended at any time and from time to time by the Board of Directors or its properly authorized delegate. In addition, the Administration Committee shall have the right to amend this Plan in whole or in part at any time and from time to time, provided that any such amendment is administrative in nature, required by law, or does not materially increase the cost of the Plan to the Company, as determined by the Company's Treasurer in consultation with the Company's Chief Financial Officer. No amendment shall divest any vested interest of any Participant or beneficiary, and no amendment shall be effective unless the Plan continues to be for the exclusive benefit of the Participants and

their beneficiaries. In addition, no amendment shall decrease a Participant's vested interest, eliminate or reduce any benefit subsidy or early retirement benefit, or eliminate any optional form of benefit except in accordance with sections 411(d)(6) and 412(d)(2) (section 412(c)(8) for Plan Years beginning before July 1, 2008) of the Code.

(b) Notwithstanding the foregoing Section 16.1(a), any modification or amendment of the Plan, the Insurance Contract, any trust or other fund established under the Plan, or any provision thereof, may be made, retroactively if necessary, which the Company by action of the Board of Directors or its designee shall deem necessary or appropriate in order to comply with any applicable statute or regulations, including but not limited to the Code and the regulations thereunder.

Section 16.2 Merger, Consolidation or Transfer of Assets or Liabilities. The Company and its Designated Subsidiaries also reserve the right to merge or consolidate this Plan with any other pension plan qualified under applicable provisions of the Code, or to transfer any or all Plan assets or liabilities to any other pension plan qualified under applicable provisions of the Code, provided that, notwithstanding this Section 16.2, no such merger, consolidation or transfer of Plan assets or liabilities shall occur unless the benefit to which each affected Participant, surviving spouse or Contingent Annuitant would be entitled in the event of a plan termination immediately after such merger, consolidation or transfer will be at least equal to the benefit to which such Participant, surviving spouse or Contingent Annuitant would be entitled under this Plan if it terminated immediately prior to such merger, consolidation or transfer.

ARTICLE XVII.

LIMITATIONS APPLICABLE IF THE PLAN'S ADJUSTED FUNDING TARGET ATTAINMENT PERCENTAGE IS LESS THAN 80% OR IF THE PLAN SPONSOR IS IN BANKRUPTCY

Section 17.1 Limitations Applicable If the Plan's Adjusted Funding Target Attainment Percentage Is Less Than 80%, But Not Less Than 60%. Notwithstanding any other provisions of the Plan, if the Plan's adjusted funding target attainment percentage for a Plan Year is less than 80% (or would be less than 80% to the extent described in Section 17.1(b) below) but is not less than 60%, then the limitations set forth in this Section 17.1 apply.

(a) 50% Limitation on Single Sum Payments, Other Accelerated Forms of Distribution, and Other Prohibited Payments. A Participant or beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date on or after the applicable section 436 measurement date, and the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment, unless the present value of the portion of the benefit that is being paid in a prohibited payment does not exceed the lesser of:

(i) 50% of the present value of the benefit payable in the optional form of benefit that includes the prohibited payment; or

(ii) 100% of the PBGC maximum benefit guarantee amount (as defined in section 1.436-1(d)(3)(iii)(C) of the Treasury Regulations).

The limitation set forth in this Section 17.1(a) does not apply to any payment of a benefit which under section 411(a)(11) of the Code may be immediately distributed without the consent of the Participant. If an optional form of benefit that is otherwise available under the terms of the Plan is not available to a Participant or beneficiary as of the annuity starting date because of the application of the requirements of this Section 17.1(a), the Participant or beneficiary is permitted to elect to bifurcate the benefit into unrestricted and restricted portions (as described in section 1.436-1(d)(3)(iii)(D) of the Treasury Regulations). The Participant or beneficiary may also elect any other optional form of benefit otherwise available under the Plan at that annuity starting date that would satisfy the 50%/PBGC maximum benefit guarantee amount limitation described in this Section 17.1(a), or may elect to defer the benefit in accordance with any general right to defer commencement of benefits under the Plan.

During a period when Section 17.1(a) applies to the Plan, Participants and beneficiaries are permitted to elect payment in any optional form of benefit otherwise available under the Plan that provides for the current payment of the unrestricted portion of the benefit (as described in section 1.436-1(d)(3)(iii)(D) of the Treasury Regulations), with a delayed commencement for the restricted portion of the benefit (subject to other applicable qualification requirements, such as sections 411(a)(11) and 401(a)(9) of the Code).

(b) Plan Amendments Increasing Liability for Benefits. No amendment to the Plan that has the effect of increasing liabilities of the Plan by reason of increases in benefits, establishment of new benefits, changing the rate of benefit accrual, or changing the rate at which benefits become nonforfeitable shall take effect in a Plan Year if the adjusted funding target attainment percentage for the Plan Year is:

(i) Less than 80%; or

(ii) 80% or more, but would be less than 80% if the benefits attributable to the amendment were taken into account in determining the adjusted funding target attainment percentage.

The limitation set forth in this Section 17.1(b) does not apply to any amendment to the Plan that provides a benefit increase under a Plan formula that is not based on compensation, provided that the rate of such increase does not exceed the contemporaneous rate of increase in the average wages of Participants covered by the amendment.

Section 17.2 Limitations Applicable If the Plan's Adjusted Funding Target Attainment Percentage Is Less Than 60%. Notwithstanding any other provisions of the Plan, if the Plan's adjusted funding target attainment percentage for a Plan Year is less than 60% (or would be less than 60% to the extent described in Section 17.2(b) below), then the limitations in this Section 17.2 apply.

(a) Single Sums, Other Accelerated Forms of Distribution, and Other Prohibited Payments Not Permitted. A Participant or beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date on or after the applicable section 436 measurement date, and the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment. The limitation set forth in this Section 17.2(a) does not apply to any payment of a benefit which under Section 411(a)(11) of the Code may be immediately distributed without the consent of the Participant.

(b) Shutdown Benefits and Other Unpredictable Contingent Event Benefits Not Permitted to Be Paid. An unpredictable contingent event benefit with respect to an unpredictable contingent event occurring during a Plan Year shall not be paid if the adjusted funding target attainment percentage for the Plan Year is:

(i) Less than 60%; or

(ii) 60% or more, but would be less than 60% if the adjusted funding target attainment percentage were redetermined applying an actuarial assumption that the likelihood of occurrence of the unpredictable contingent event during the Plan Year is 100%.

(c) Benefit Accruals Frozen. Benefit accruals under the Plan shall cease as of the applicable section 436 measurement date. In addition, if the Plan is required to cease benefit accruals under this Section 17.2(c), then the Plan is not permitted to be amended in a manner that would increase the liabilities of the Plan by reason of an increase in benefits or establishment of new benefits.

Section 17.3 Limitations Applicable If the Plan Sponsor Is In Bankruptcy. Notwithstanding any other provisions of the Plan, a Participant or beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date that occurs during any period in which the Plan sponsor is a debtor in a case under title 11, United States Code, or similar Federal or State law, except for payments made within a Plan Year with an annuity starting date that occurs on or after the date on which the Plan's enrolled actuary certifies that the Plan's adjusted funding target attainment percentage for that Plan Year is not less than 100%. In addition, during such period in which the Plan sponsor is a debtor, the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment, except for payments that occur on a date within a Plan Year that is on or after the date on which the Plan's enrolled actuary certifies that the Plan's adjusted funding target attainment percentage for that Plan Year is not less than 100%. The limitation set forth in this Section 17.3 does not apply to any payment of a benefit which under section 411(a)(11) of the Code may be immediately distributed without the consent of the Participant.

Section 17.4 Provisions Applicable After Limitations Cease to Apply.

(a) Resumption of Prohibited Payments. If a limitation on prohibited payments under Section 17.1(a), Section 17.2(a), or Section 17.3 applied to the Plan as of a section 436 measurement date, but that limit no longer applies to the Plan as of a later section 436 measurement date, then that limitation does not apply to benefits with annuity starting dates that are on or after that later section 436 measurement date.

In addition, after the section 436 measurement date on which the limitation on prohibited payments under Section 17.1(a) or 17.2(a) ceases to apply to the Plan, any Participant or beneficiary who had an annuity starting date within the period during which that limitation applied to the Plan is permitted to make a new election (within 90 days after the section 436 measurement date on which the limit ceases to apply or, if later, 30 days after receiving notice of the right to make such election) under which the form of benefit previously elected is modified at a new annuity starting date to be changed to a single sum payment for the remaining value of the Participant or beneficiary's benefit under the Plan, subject to the other rules in this Article XVII and applicable requirements of section 401(a) the Code, including spousal consent.

(b) Resumption of Benefit Accruals. If a limitation on benefit accruals under Section 17.2(c) applied to the Plan as of a section 436 measurement date, but that limitation no longer applies to the Plan as of a later section 436 measurement date, then benefit accruals shall resume prospectively and that limitation does not apply to benefit accruals that are based on service on or after that later section 436 measurement date, except as otherwise provided under the Plan. The Plan shall comply with the rules relating to partial years of participation and the prohibition on double proration under Department of Labor regulation 29 CFR section 2530.204-2(c) and (d).

In addition, benefit accruals that were not permitted to accrue because of the application of Section 17.2(c) shall be restored when that limitation ceases to apply if the continuous period of the limitation was 12 months or less and the Plan's enrolled actuary certifies that the adjusted funding target attainment percentage for the Plan Year would not be less than 60% taking into account any restored benefit accruals for the prior Plan Year.

(c) Shutdown and Other Unpredictable Contingent Event Benefits. If an unpredictable contingent event benefit with respect to an unpredictable contingent event that occurs during the Plan Year is not permitted to be paid after the occurrence of the event because of the limitation of Section 17.2(b), but is permitted to be paid later in the same Plan Year (as a result of additional contributions or pursuant to the enrolled actuary's certification of the adjusted funding target attainment percentage for the Plan Year that meets the requirements of section 1.436-1(g)(5)(ii)(B) of the Treasury Regulations), then that unpredictable contingent event benefit shall be paid, retroactive to the period that benefit would have been payable under the terms of the Plan (determined without regard to Section 17.2(b)). If the unpredictable contingent event benefit does not become payable during the Plan Year in accordance with the preceding sentence, then the Plan is treated as if it does not provide for that benefit.

(d) Treatment of Plan Amendments That Do Not Take Effect. If a Plan amendment does not take effect as of the effective date of the amendment because of the limitation of Section

17.2(b) or Section 17.2(c), but is permitted to take effect later in the same Plan Year (as a result of additional contributions or pursuant to the enrolled actuary's certification of the adjusted funding target attainment percentage for the Plan Year that meets the requirements of section 1.436-1(g)(5)(ii)(C) of the Treasury Regulations), then the Plan amendment must automatically take effect as of the first day of the Plan Year (or, if later, the original effective date of the amendment). If the Plan amendment cannot take effect during the same Plan Year, then it shall be treated as if it were never adopted, unless the Plan amendment provides otherwise.

Section 17.5 Notice Requirement. See section 101(j) of ERISA for rules requiring the plan administrator of a single employer defined benefit pension plan to provide a written notice to participants and beneficiaries within 30 days after certain specified dates if the plan has become subject to a limitation described in Section 17.1(a), Section 17.2, or Section 17.3.

Section 17.6 Methods to Avoid or Terminate Benefit Limitations. See section 436(b)(2), (c)(2), (e)(2), and (f) of the Code and section 1.436-1(f) of the Treasury Regulations for rules relating to employer contributions and other methods to avoid or terminate the application of the limitations set forth in Sections 17.1 through 17.3 for a Plan Year. In general, the methods a plan sponsor may use to avoid or terminate one or more of the benefit limitations under Sections 17.1 through 17.3 for a Plan Year include employer contributions and elections to increase the amount of plan assets which are taken into account in determining the adjusted funding target attainment percentage, making an employer contribution that is specifically designated as a current year contribution that is made to avoid or terminate application of certain of the benefit limitations, or providing security to the plan.

Section 17.7 Special Rules.

(a) Rules of Operation for Periods Prior to and After Certification of Plan's Adjusted Funding Target Attainment Percentage.

(i) In General. Section 436(h) of the Code and section 1.436-1(h) of the Treasury Regulations set forth a series of presumptions that apply (1) before the Plan's enrolled actuary issues a certification of the Plan's adjusted funding target attainment percentage for the Plan Year and (2) if the Plan's enrolled actuary does not issue a certification of the Plan's adjusted funding target attainment percentage for the Plan Year before the first day of the tenth month of the Plan Year (or if the Plan's enrolled actuary issues a range certification for the Plan Year pursuant to section 1.436-1(h)(4)(ii) of the Treasury Regulations but does not issue a certification of the specific adjusted funding target attainment percentage for the Plan by the last day of the Plan Year). For any period during which a presumption under section 436(h) of the Code and section 1.436¬1(h) of the Treasury Regulations applies to the Plan, the limitations under Sections 17.1 through 17.3 are applied to the Plan as if the adjusted funding target attainment percentage for the Plan Year were the presumed adjusted funding target attainment percentage determined under the rules of section 436(h) of the Code and section 1.436-1(h)(1), (2), or (3) of the Treasury Regulations. These presumptions are set forth in Section 17.7(a)(ii) through (iv).

(ii) Presumption of Continued Underfunding Beginning First Day of Plan Year. If a limitation under Section 17.1, 17.2, or 17.3 applied to the Plan on the last day of the preceding Plan Year, then, commencing on the first day of the current Plan Year and continuing until the Plan's enrolled actuary issues a certification of the adjusted funding target attainment percentage for the Plan for the current Plan Year, or, if earlier, the date Section 17.7(a)(iii) or Section 17.7(a)(iv) applies to the Plan:

(A) The adjusted funding target attainment percentage of the Plan for the current Plan Year is presumed to be the adjusted funding target attainment percentage in effect on the last day of the preceding Plan Year; and

(B) The first day of the current Plan Year is a section 436 measurement date.

(iii) Presumption of Underfunding Beginning First Day of Fourth Month. If the Plan's enrolled actuary has not issued a certification of the adjusted funding target attainment percentage for the Plan Year before the first day of the fourth month of the Plan Year and the Plan's adjusted funding target attainment percentage for the preceding Plan Year was either at least 60% but less than 70% or at least 80% but less than 90%, or is described in section 1.436-1(h)(2)(ii) of the Treasury Regulations, then, commencing on the first day of the fourth month of the current Plan Year and continuing until the Plan's enrolled actuary issues a certification of the adjusted funding target attainment percentage for the Plan for the current Plan Year, or, if earlier, the date Section 17.7(a)(iv) applies to the Plan:

(A) The adjusted funding target attainment percentage of the Plan for the current Plan Year is presumed to be the Plan's adjusted funding target attainment percentage for the preceding Plan Year reduced by 10 percentage points; and

(B) The first day of the fourth month of the current Plan Year is a section 436 measurement date.

(iv) Presumption of Underfunding On and After First Day of Tenth Month. If the Plan's enrolled actuary has not issued a certification of the adjusted funding target attainment percentage for the Plan Year before the first day of the tenth month of the Plan Year (or if the Plan's enrolled actuary has issued a range certification for the Plan Year pursuant to section 1.436-1(h)(4)(ii) of the Treasury Regulations but has not issued a certification of the specific adjusted funding target attainment percentage for the Plan by the last day of the Plan Year), then, commencing on the first day of the tenth month of the current Plan Year and continuing through the end of the Plan Year:

(A) The adjusted funding target attainment percentage of the Plan for the current Plan Year is presumed to be less than 60%; and

(B) The first day of the tenth month of the current Plan Year is a section 436 measurement date.

(b) New Plans, Plan Termination, Certain Frozen Plans, and Other Special Rules.

(i) First 5 Plan Years. The limitations in Section 17.1(b), Section 17.2(b), and Section 17.2(c) do not apply to a new plan for the first 5 plan years of the plan, determined under the rules of section 436(i) of the Code and section 1.436-1(a)(3)(i) of the Treasury Regulations.

(ii) Plan Termination. The limitations on prohibited payments in Section 17.1(a), Section 17.2(a), and Section 17.3 do not apply to prohibited payments that are made to carry out the termination of the Plan in accordance with applicable law. Any other limitations under this Section of the Plan do not cease to apply as a result of termination of the Plan.

(iii) Exception to Limitations on Prohibited Payments Under Certain Frozen Plans. The limitations on prohibited payments set forth in Sections 17.1(a), 17.2(a), and 17.3 do not apply for a Plan Year if the terms of the Plan, as in effect for the period beginning on September 1, 2005, and continuing through the end of the Plan Year, provide for no benefit accruals with respect to any Participants. This Section 17.7(b)(iii) shall cease to apply as of the date any benefits accrue under the Plan or the date on which a Plan amendment that increases benefits takes effect.

(iv) Special Rules Relating to Unpredictable Contingent Event Benefits and Plan Amendments Increasing Benefit Liability. During any period in which none of the presumptions under Section 17.7(a) apply to the Plan and the Plan's enrolled actuary has not yet issued a certification of the Plan's adjusted funding target attainment percentage for the Plan year, the limitations under Section 17.1(b) and Section 17.2(b) shall be based on the inclusive presumed adjusted funding target attainment percentage for the Plan, calculated in accordance with the rules of section 1.436-1(g)(2)(iii) of the Treasury Regulations.

(c) Special Rules Under PRA 2010.

(i) Payments Under Social Security Leveling Options. For purposes of determining whether the limitations under Section 17.1(a) or 17.2(a) apply to payments under a social security leveling option, within the meaning of section 436(j)(3)(C)(i) of the Code, the adjusted funding target attainment percentage for a Plan Year shall be determined in accordance with the "Special Rule for Certain Years" under section 436(j)(3) of the Code and any Treasury Regulations or other published guidance thereunder issued by the Internal Revenue Service.

(ii) Limitation on Benefit Accruals. For purposes of determining whether the accrual limitation under Section 17.2(c) applies to the Plan the adjusted funding target attainment percentage for a Plan Year shall be determined in accordance with the "Special Rule for Certain Years" under section 436(j)(3) of the Code (except as provided under section 203(b) of the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010, if applicable).

(d) Interpretation of Provisions. The limitations imposed by this Section of the Plan shall be interpreted and administered in accordance with section 436 of the Code and section 1.436-1 of the Treasury Regulations.

Section 17.8 Definitions. The definitions in the following Treasury Regulations apply for purposes of Sections 17.1 through 17.7: section 1.436-1(j)(1) defining adjusted funding target attainment percentage; section 1.436-1(j)(2) defining annuity starting date; section 1A36-1(j)(6) defining prohibited payment; section 1.436-1(j)(8) defining section 436 measurement date; and section 1.436-1(j)(9) defining an unpredictable contingent event and an unpredictable contingent event benefit.

Section 17.9 Effective Date. The rules in Sections 17.1 through 17.8 are effective for Plan Years beginning after December 31, 2007.

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IN WITNESS WHEREOF, the Company has caused this duly adopted Plan to be executed below by its duly authorized officer or representative on the date set forth below.

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ MARTIN FALKENBERG
Martin Falkenberg
SVP, Deputy CHRO
As Member of the Benefits Administration Committee

Date: December 28, 2022

EXHIBIT A

LIST OF DESIGNATED SUBSIDIARIES

- American Water Enterprises, Inc.
  - American Water Operations and Maintenance, Inc.
  - American Water Services CDM, Inc.
- American Water Works Service Company, Inc.
- California-American Water Company
- Hawaii American Water Company
- Illinois-American Water Company
- Indiana-American Water Company
- Iowa-American Water Company
- Kentucky-American Water Company
- Maryland-American Water Company
- Missouri-American Water Company
- New Jersey-American Water Company, Inc.
- Pennsylvania-American Water Company
- Tennessee-American Water Company
- Virginia-American Water Company
- West Virginia-American Water Company

APPENDIX 1

INCREASE IN RETIREMENT INCOME FOR CERTAIN RETIRED PARTICIPANTS

Increase Effective October 1, 1980.

(1) Effective October 1, 1980, the monthly benefits of Participants who retired prior to January 1, 1978, and of surviving spouses and Contingent Annuitants of any such Participants who were receiving benefits under the Plan shall be increased in accordance with the provisions of Paragraph 2 of this Appendix 1.

(2) The amount of monthly benefit payable to a former or retired Participant or to their surviving spouse or Contingent Annuitant under the Plan shall be increased by 4% for each full calendar year, or fraction thereof, between the effective date of the Participant's commencement of monthly benefits and December 31, 1977, up to a maximum of 32% of such monthly benefit.

(3) Any potential benefit which may become payable to the surviving spouse or Contingent Annuitant of a Participant whose benefit is adjusted under Paragraph 2 of this Appendix 1 shall be adjusted by the same percentage as is applied in adjusting the Participant's benefit.

Increase Effective October 1, 1985.

(4) Effective October 1, 1985, the monthly benefits of Participants who retired prior to January 1, 1984 and of any surviving spouses and Contingent Annuitants who were receiving benefits under the Plan shall be increased in accordance with the provisions of Paragraph (5) of this Appendix 1. That increase shall be in addition to any increase provided under Paragraphs (1) through (3) above, but shall not apply to any benefit attributable to any plan merged into this Plan.

(5) The amount of monthly benefit payable to a former or retired Participant or to their surviving spouse or Contingent Annuitant under the Plan shall be increased by 3% for each full calendar year, or fraction thereof, between the effective date of the Participant's commencement of monthly benefits and December 31, 1983, up to a maximum of 18% of such monthly benefit.

(6) Any potential benefit which may become payable to the surviving spouse or Contingent Annuitant of a Participant whose benefit is adjusted under Paragraph (4) of this Appendix 1 shall be adjusted by the same percentage as is applied in adjusting the Participant's benefit.

APPENDIX 2

TOP-HEAVY PROVISIONS AND BENEFIT LIMITS

A. Top-Heavy Plan Definitions.

The following words and phrases as used herein have the following meanings unless a different meaning is plainly required by the context:

A.1 "Account Balance" means the sum of:

A.1.1 the present value, as of the Top-Heavy Valuation Date, of a Participant's Accrued Benefit under the Plan, determined in the same manner as Actuarial Equivalent forms of benefit are determined under the Plan;

A.1.2 the balance, as of the Top-Heavy Valuation Date, standing to the credit of a Participant (including a surviving spouse or Contingent Annuitant of such Participant) in any Defined Contribution Plan maintained by the Employer, including contributions that would be allocated as of the Top-Heavy Valuation Date, even though these amounts are not yet required to be contributed, and any contribution attributable (A) to a plan-to-plan transfer or rollover contribution from another qualified employee pension benefit plan or a rollover individual retirement account, accepted before January 1, 1984, or (B) a related plan-to-plan transfer or rollover individual retirement account; and

A.1.3 the aggregate distributions made with respect to such Participant (including a surviving spouse or Contingent Annuitant of such Participant) under the Plan during the five-year period ending on the Determination Date. If a distribution is made in the form of an annuity contract, the amount of such distribution shall be equal to the actuarial value of the contract, determined on the date of the distribution. Benefits paid on account of death shall only be included to the extent of the present value of the decedent's Accrued Benefit immediately prior to death.

The term "Account Balance" shall not include any amount held or distributed on behalf of any Participant who is a Former Key Employee, or who has performed no service for the Employer (other than benefits under qualified plans maintained by the Employer) at any time during the five-year period ending on the Determination Date or any amount attributable to qualified voluntary employee contributions (within the meaning of section 219(e)(2) of the Code).

A.2 "Aggregation Group" means:

A.2.1 a Required Aggregation Group, or

A.2.2 a Permissive Aggregation Group.

A.3 "Compensation" shall include all amounts that are treated as wages for Federal income tax withholding under section 3401(a) of the Code (determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed) and actually paid to the Participant during the Limitation Year. Notwithstanding the foregoing, for Limitation Years beginning on and after July 1, 2007, Compensation includes regular pay as described in Treas. Reg. § 1.415(c)-(2)(e)(3) if paid by the end of the Limitation Year that includes the Employee's termination of employment, or if later, 2½ months after the Employee's termination of employment. Any payments not described in the foregoing sentence shall not be considered Compensation if paid after separation from service,

even if they are paid by the later of 2½ months after the date of separation from service or the end of the Limitation Year that includes the date of severance from employment. Effective for distributions made on and after January 1, 2009, Compensation shall include the amount of any military differential wage payments made by the Employer to a Participant in accordance with section 3401(h) and section 414(u)(12) of the Code.

A.4 "Defined Benefit Plan" means any employee pension plan maintained by the Employer that is qualified under section 401(a) of the Code and is not a Defined Contribution Plan.

A.5 "Defined Contribution Plan" means an employee pension plan maintained by the Employer that is qualified under section 401(a) of the Code and provides for an individual account for each Participant and for benefits based solely on the amount contributed to the Participant's account, and any income, expenses, gains and losses, and any forfeitures of accounts of other Participants that may be allocated to such Participant's account.

A.6 "Determination Date" means:

A.6.1 if the Plan is not included in an Aggregation Group, the last day of the preceding Plan Year; or

A.6.2 if the Plan is included in an Aggregation Group, the Determination Date as determined under Section A.6.1 that falls within the same calendar year of each other plan included in such Aggregation Group.

A.7 "Employer" means the Employer as defined in Section 2.1(q) of the Plan.

A.8 "Former Key Employee" means an Employee or former Employee who is a Non-Key Employee with respect to the Plan for the Plan Year if such individual was a Key Employee with respect to the Plan for any prior Plan Year.

A.9 "Key Employee" means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the Determination Date was an officer of the Employer having annual Compensation greater than the dollar amount specified in section 416(i)(1) of the Code as in effect for the Plan Year ($200,000 for 2023), adjusted for cost-of-living (and subject to proration in any short Plan Year), a five-percent owner of the Employer, or a one-percent owner of the Employer having annual Compensation of more than $150,000 (subject to proration in any short Plan Year). For this purpose, annual Compensation means Compensation within the meaning of section 415(c)(3) of the Code. The determination of who is a Key Employee will be made in accordance with section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

A.10 "Non-Key Employee" means any Participant in the Plan (including a surviving spouse or Contingent Annuitant of such Participant) who is not a Key Employee with respect to the Plan for the Plan Year.

A.11 "Permissive Aggregation Group" means:

A.11.1 each plan of the Employer included in a Required Aggregation Group; and

A.11.2 each other plan of the Employer if the group of plans consisting of such plan or plans included in the Required Aggregation Group, when considered as a single plan, meets the requirements of section 401(a)(4) and section 410 of the Code.

A.12 "Required Aggregation Group" means:

A.12.1 each plan of the Employer in which a Key Employee participated (regardless of whether such plan has been terminated) during the Plan Year ending on the Determination Date; and

A.12.2 each other plan of the Employer which enables any plan described in Section A.12.1 to meet the requirements of section 401(a)(4) or section 410 of the Code, including any such plan terminated within the one-year period ending on the Determination Date.

A.13 "Top-Heavy Group" means an Aggregation Group in which, as of the Determination Date, the sum of:

A.13.1 the aggregate of the Account Balances of Key Employees under all Defined Contribution Plans included in such Aggregation Group, and

A.13.2 the aggregate of the present value of cumulative accrued benefits for Key Employees under all Defined Benefit Plans included in such Aggregation Group,

exceeds 60% of the sum of such aggregates determined for all Employees included in the Aggregation Group.

A.14 "Top-Heavy Plan" means the Plan, if as of the Determination Date:

A.14.1 the aggregate of the Account Balances of Key Employees exceeds 60% of the aggregate of the Account Balances of all Employees; or

A.14.2 the Plan is part of a Required Aggregation Group which is a Top-Heavy Group.

Notwithstanding Section A.14.1 and Section A.14.2, the Plan shall not be considered a Top-Heavy Plan for any Plan Year in which the Plan is a part of a Required Aggregation Group or a Permissive Aggregation Group which is not a Top-Heavy Group.

A.15 "Top-Heavy Valuation Date" means the Determination Date.

B. Top-Heavy Plan Provisions.

Notwithstanding anything in the Plan to the contrary, if the Plan is a Top-Heavy Plan within the meaning of Section A.14 and section 416(g) of the Code for any Plan Year beginning after December 31, 1983, then the Plan shall meet the requirements of Section B.1, Section B.2 and Section B.3 for each such Plan Year.

B.1 Minimum Vesting Requirement. The vested interest of a Participant who is credited with an Hour of Service after the Plan becomes a Top-Heavy Plan will be determined under a schedule which is not less favorable to the Participant than the following:

Years of Service As Defined in Section 2.1(oo)(ii)	Vested Interest
Less than one	0%
One but less than two	20%
Two but less than three	40%
Three but less than four	60%
Four but less than five	80%
Five or more	100%

B.2 Minimum Benefit or Contribution Requirement.

B.2.1. This Plan shall provide a minimum annual retirement benefit for each such Plan Year for each Participant who is a Non-Key Employee in an amount equal to 2% of such Participant's average Compensation for the period of consecutive years (not exceeding five) during which the Participant had the greatest aggregate Compensation from the Employer, multiplied by the Participant's Years of Service, not to exceed 10.

B.2.2 The minimum benefit or contribution shall be made for each Non-Key Employee who is employed at the end of the Plan Year in question, regardless of whether such Non-Key Employee has been credited with 1,000 Hours of Service in such Plan Year and regardless of such Non-Key Employee's level of Compensation.

B.3 Change in Top-Heavy Status. If the Plan becomes a Top-Heavy Plan and subsequently ceases to be a Top-Heavy Plan, the vesting schedule in Section B.1 shall continue to apply in determining the vested percentage of the Accrued Benefit of any Participant who had at least five Years of Service as of the last day of the last Plan Year in which the Plan was a Top-Heavy Plan. For all other Participants, the vesting schedule in Section B.1 shall apply only to their Accrued Benefit as of such last day.

B.4 Determination of Present Values and Amounts. Effective for Plan Years beginning after December 31, 2001, this Paragraph shall apply for purposes of determining the present values of Accrued Benefits and the amounts of Account Balances of Employees as of the Determination Date.

B.4.1 The present values of Accrued Benefits and the amounts of Account Balances of an Employee as of the Determination Date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under section 416(g)(2) of the Code during the one-year period ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than severance from employment, death, or disability, this provision shall be applied by substituting "five-year period" for "one-year period."

B.4.2 The Accrued Benefits and Account Balances of any individual who has not performed services for the Employer during the one-year period ending on the Determination Date shall not be taken into account.

B.5 Minimum Benefits. Effective for Plan Years beginning after December 31, 2001, for purposes of satisfying the minimum benefit requirements of section 416(c)(1) of the Code and the Plan, in determining Years of Service with the Employer, any service with the Employer shall be disregarded to the extent that such service occurs during a Plan Year when the Plan benefits (within the meaning of section 410(b) of the Code) no Key Employee or former Key Employee.

C. Limitations on Benefits - Code Section 415 Limit.

C.1 Effective for Limitation Years ending after December 31, 2001, in no case shall the annual benefit with respect to any Participant payable under the Plan and all other Defined Benefit Plans, when expressed in the form of an annual single life annuity (with no ancillary benefits), exceed the "maximum permissible benefit" which shall be the lesser of the amount determined under Paragraph C.1.1 or C.1.2 (both adjusted where required, as provided in Paragraph C.1.3, and, if applicable, in Paragraph C.1.4 or Paragraph C.1.5):

C.1.1 the dollar limitation specified in section 415(b)(1)(A) of the Code, as in effect for the Limitation Year ($215,000 for 2017), as adjusted, effective January 1 of each year under section 415(d) of the Code in such manner as the Secretary of the Treasury shall prescribe (the "Defined Benefit Dollar Limitation")); or

C.1.2 the greater of $10,000 or 100% of the Participant's average annual Compensation received during the three consecutive years of Continuous Service (years of participation in the Plan for Limitation Years beginning before January 1, 2006) with the Employer and all 50% related employers during which they receive the greatest aggregate annual Compensation. The $10,000 restriction shall not apply if the Participant participates in any defined contribution plan maintained by the Employer, a 50% related employer or a predecessor employer. For purposes of determining the $10,000 amount, the benefit payable to the Participant under the Plan for a Limitation Year reflects all amounts payable under the Plan for the Limitation Year (except as otherwise provided in Treas. Reg. § 1.415(d)-1) and are not adjusted for faun of benefit or commencement date.

C.1.3 If the Participant has fewer than 10 years of participation in the Plan, the Defined Benefit Dollar Limitation shall be multiplied by a fraction, (i) the numerator of which is the number of years (or part thereof) of participation in the Plan and (ii) the

denominator of which is 10. In the case of a Participant who has fewer than 10 Years of Service with the Employer, the Defined Benefit Dollar Limitation shall be multiplied by a fraction (i) the numerator of which is the number of years (or part thereof) of service with the Employer and (ii) the denominator of which is 10.

C.1.4 If the benefit of a Participant begins prior to age 62, the Defined Benefit Dollar Limitation applicable to the Participant at such earlier age is an annual benefit payable in the form of a straight life annuity beginning at the earlier age that is the Actuarial Equivalent of the Defined Benefit Dollar Limitation applicable to the Participant at age 62 (adjusted under Paragraph C.1.3 above, if required). The Defined Benefit Dollar Limitation applicable at an age prior to age 62 is determined as the lesser of (i) the Actuarial Equivalent (at such age) of the Defined Benefit Dollar Limitation computed using the interest rate provided under Section 2.1(b), or (ii) the Actuarial Equivalent (at such age) of the Defined Benefit Dollar Limitation computed using a 5 percent interest rate. Any decrease in the Defined Benefit Dollar Limitation determined in accordance with this Paragraph C.1.4 shall not reflect a mortality decrement if benefits are not forfeited upon the death of the Participant. If any benefits are forfeited upon death, the full mortality decrement is taken into account.

Effective for Limitation Years beginning on and after July 1, 2007, the defined benefit dollar limitation applicable at an age prior to age 62 is determined as the lesser of (1) the actuarial equivalent at such age of the defined benefit dollar limitation computed using a 5% interest rate and the applicable mortality table under section 417(e)(3) of the Code, or (2) the amount determined by multiplying the defined benefit dollar limitation by the ratio of the annual amount of the single life annuity beginning at such earlier age (computed using the interest rate and mortality table as applicable under Section 2.1(b)) to the annual amount of the single life annuity under the Plan commencing at age 62 (with both such amounts determined without application of the rules of section 415 of the Code).

C.1.5 If the benefit of a Participant begins after the Participant attains age 65, the Defined Benefit Dollar Limitation applicable to the Participant at the later age is the annual benefit payable in the form of a straight life annuity beginning at the later age that is Actuarially Equivalent to the Defined Benefit Dollar Limitation applicable to the Participant at age 65 (adjusted under Paragraph C.1.3 above, if required). The Actuarial Equivalent of the Defined Benefit Dollar Limitation applicable at an age after age 65 is determined as the lesser of (i) the Actuarial Equivalent (at such age) of the Defined Benefit Dollar Limitation computed using the interest rate provided under Section 2.1(b), or (ii) the Actuarial Equivalent (at such age) of the Defined Benefit Dollar Limitation computed using a 5 percent interest rate. For these purposes, mortality between age 65 and the age at which benefits commence shall be ignored.

Effective for Limitation Years beginning on and after July 1, 2007, for benefits commencing after age 65, the dollar limitation shall be determined as the lesser of (1) the actuarial equivalent at such age of the defined benefit dollar limitation computed using an interest rate of 5% and the applicable mortality table described under section 417(e)(3) of the Code, or (2) the amount determined by multiplying the defined benefit dollar limitation by the ratio of (A) the annual amount of the single life annuity beginning at such later age (computed using the interest rate and mortality assumptions for delayed retirement benefits under the Plan,

if applicable) to (B) the annual amount of the single life annuity under the Plan commencing at age 65 (computed without using the interest rate and mortality assumptions for delayed retirement benefits under the Plan, if applicable) (with both such amounts in (A) and (B) determined without application of the rules of section 415 of the Code). The amount of the annual benefit commencing at such later age is the annual amount of the benefit (determined without regard to section 415 of the Code) computed by disregarding the Participant's accruals after age 65, but including actuarial adjustments even if such adjustments are applied to offset benefit accrual.

C.1.6 Benefit increases resulting from the increase in the limitations of section 415(b) of the Code shall be provided to all Participants with benefits limited by section 415(b) of the Code who, (i) as of January 1, 2002 have commenced receipt of their benefit under the Plan; or (ii) are credited with at least one Hour of Service on or after January 1, 2002.

C.1.7 If a Participant's benefit is payable in any form other than a straight life annuity, the determination as to whether the limitation of this Paragraph C.1 has been satisfied shall be made by adjusting such benefit to the form of a straight life annuity using an interest rate equal to the greater of 5% or the interest rate provided under Section 2.1(b). However, for purposes of such adjustment, any ancillary benefit that is not directly related to retirement income benefits and that portion of any joint and survivor annuity that constitutes a Qualified Joint and Survivor Annuity shall not be taken into account. Notwithstanding the foregoing, for purposes of adjusting any form of benefit subject to the requirements of section 417(e)(3) of the Code, the interest rate used shall not be less than the greater of (i) the applicable interest rate under section 417(e)(3) of the Code for the October immediately preceding the calendar year during which the Annuity Starting Date occurs, provided that the lump sum present value for distributions made on or before October 1, 2007, shall not be less than the lump sum present value based on the applicable interest rate under section 417(e)(3) of the Code for the third calendar month preceding the calendar month in which the Annuity Starting Date occurs, or (ii) the interest rate specified in Section 2.1(b).

Notwithstanding anything herein to the contrary, for purposes of adjusting any form of benefit subject to section 417(e)(3) of the Code for Plan Years beginning in 2004 or 2005, the interest rate used shall not be less than the greater of (i) 5.5%, or (ii) the interest rate specified in Section 2.1(b).

Notwithstanding the foregoing, effective for Limitation Years beginning on and after July 1, 2007, for purposes of applying the limitations under this Article C, if a Participant's benefits are payable in a form of benefit other than a single life annuity or a qualified joint and survivor annuity, the benefit shall be limited as follows. The benefit shall be converted to a single life annuity using the interest rate and mortality assumptions specified in the Plan for the Actuarial Equivalent of the particular form of benefit payable. The single life annuity, which has been so determined, shall be compared to the single life annuity computed using a 5% interest rate assumption (or for any form of benefit subject to section 417(e)(3) of the Code, the applicable interest rate as defined in section 417(e)(3) of the Code) and the IRS mortality table prescribed in section 415(b)(2)(E)(v) of the Code). The greater of these two amounts shall be the applicable limit for the benefit payable in a form other than a single life annuity or a qualified joint and survivor annuity.

Effective as of January 1, 2006, if a Participant's benefit is payable in a form subject to section 417(e)(3) of the Code, such benefit shall be adjusted, for purposes of applying the limitations under this Article C, so that it is the greater of (1) a straight life annuity determined using the interest rate and mortality table as applicable under Section 2.1(b), (2) a straight life annuity determined using an interest rate of 5.5% and the applicable mortality table described under section 417(e)(3) of the Code, or (3) a straight life annuity determined using the interest rate that produces a benefit of not more than 105% of the benefit that would be produced using the applicable interest rate and applicable mortality table described under section 417(e)(3) of the Code.

C.2 Applicable Mortality Table for Distributions With Annuity Starting Dates on or after December 31, 2002. Notwithstanding any other Plan provisions to the contrary, the applicable mortality table used for purposes of adjusting any benefit or limitation under section 415(b)(2)(B), (C), or (D) of the Code as set forth in this Article C (unless another mortality table is either required under section 415(b) of the Code or otherwise referenced in this Article C) is the table prescribed in Rev. Rul. 2007-67 for Plan Years beginning after December 31, 2007 (Rev. Rul. 2001-62 for Plan Years beginning before January 1, 2008), or such other table as the Secretary of the Treasury may prescribe.

C.3 Definition of Compensation. For purposes of this Article C, Compensation shall include all amounts that are treated as wages for Federal income tax withholding under section 3401(a) of the Code (determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed) and actually paid to the Participant during the Limitation Year, plus amounts that would be paid to the Employee during the year but for the Employee's election under a cash or deferred arrangement described in section 401(k) of the Code, a cafeteria plan described in section 125 of the Code, a qualified transportation fringe benefit program described in section 132(f)(4) of the Code, a simplified employee pension described in section 402(h) of the Code or an annuity program described in section 403(b) of the Code.

Notwithstanding the foregoing, for Limitation Years beginning on and after July 1, 2007, Compensation includes regular pay as described in Treas. Reg. § 1.415(c)-(2)(e)(3) if paid by the end of the Limitation Year that includes the Employee's termination of employment, or if later, 2½ months after the Employee's termination of employment Any payments not described in the foregoing sentence shall not be considered Compensation if paid after separation from service, even if they are paid by the later of 2½ months after the date of separation from service or the end of the Limitation Year that includes the date of severance from employment.

C.4 Application of the provisions of this Section C of this Appendix 2 in effect for Limitation Years beginning on and after July 1, 2007, shall not cause the maximum permissible benefit for any Participant to be less than the Participant's accrued benefit under all the defined benefit plans of the Employer or a predecessor employer as of the end of the last Limitation Year beginning before July 1, 2007 under provisions of the plans that were both adopted and in effect before April 5, 2007 determined in accordance with the requirements of section 415 of the Code in effect on that date.

C.5 Notwithstanding the foregoing, the Plan hereby incorporates by reference section 415 of the Code and the regulations promulgated thereunder.

APPENDIX 3

SPECIAL SERVICE CREDITING RULES

A. General Rules.

A.1 Vesting and Benefit Accrual. The following special service crediting rules shall be applied in determining the earliest commencement date for service credit, for benefit accrual and vesting for employees of the following named subsidiaries which have, either by designation in accordance with Section 2.1(k) or by merger into a Designated Subsidiary become Designated Subsidiaries.

A.2 Eligibility for Early Retirement. For purposes of computing eligibility for Early Retirement in accordance with Section 4.2, Years of Service with a Subsidiary which has, after December 31, 1971, become a Designated Subsidiary, whether by designation in accordance with Section 2.1(k) or by merger into a Designated Subsidiary, shall be taken into account, but only after the Participant in question has completed 5 Years of Service after the first date upon which they were employed by a Designated Subsidiary.

A.3 Early Retirement Reduction Factors. Unless otherwise specified below, Years of Service for determining the applicable Early Retirement Reduction Factor under Table 1 shall be determined in the same manner as Years of Service for benefit accrual.

A.4 Break-in-Service Rules. These rules are subject to the Break-in-Service rules of Section 9.1 through 9.4 and are not to be construed to require the crediting of Years of Service for any purpose if those Years of Service are disregarded under the provisions of those Sections or under the applicable provisions in effect when the Participant in question sustained their first Break-in-Service.

B. Special Rules.

B.1 California-American Water Co. Service for all Employees who first became Employees by reason of the acquisition of California-American Water Co. shall begin no earlier than December 28, 1970 for purposes of vesting and benefit accrual. However, in determining eligibility for Early Retirement and in applying the Early Retirement Reduction Factors of Table 1, Years of Service with California-American Water Company before December 28, 1970 shall be taken into account. See Table 5 for Special Option Factors.

B.2 Hershey Water Company. Service for all purposes for [Employee Name Omitted] and [Employee Name Omitted], who are entitled to a nonforfeitable benefit under a pension plan maintained by HERCO, Inc. and its subsidiaries, shall begin April 19, 1977. For all other Employees who became Employees by reason of the acquisition of Hershey Water Company, service for all purposes shall begin on their date of hire by HERCO, Inc., nearest April 19, 1977, the date of acquisition of Hershey Water Company.

B.3 Norristown Water Company. Service for all purposes shall begin on such Employee’s date of hire nearest January 11, 1962, the date Norristown Water Company was acquired.

B.4 Paradise Valley Water Co. Service for all purposes shall begin on such Employee's date of hire nearest December 3, 1969, the date Paradise Valley Water Co. was acquired.

B.5 Village Water Company. Service for all purposes for [Employee Name Omitted] shall begin on July 10, 1967. Service for all purposes for all others shall begin December 28, 1970.

B.6 West Virginia Water Company. Service for all Employees who first became Employees by reason of the acquisition of West Virginia Water Company shall begin, for purposes of vesting and benefit accrual, no earlier than December 1, 1970. However, in determining eligibility for Early Retirement, and in applying the Early Retirement reduction factors of Table 1, Years of Service with West Virginia Water Company shall be taken into account. See Table 5 for Special Option Factors.

B.7 Yardley Water Company. Service for all purposes for Employees who became Employees by reason of the acquisition of Yardley Water Company shall begin on December 1, 1970.

B.8 Pekin Water Works Company. Service for all purposes for [Employee Name Omitted], [Employee Name Omitted] and [Employee Name Omitted] shall begin on January 1, 1982. Service for all purposes for [Employee Name Omitted], [Employee Name Omitted] and [Employee Name Omitted] will begin on their date of hire by Pekin Water Works Company nearest the date Pekin Water Works Company was acquired. Their accrued benefits under the Pekin Water Works Company Pension Trust shall be frozen as of May 1, 1982, and the retirement income benefits earned by those Employees under this Plan reduced by the amount of that frozen benefit. Service for all purposes for Employees covered by a collective bargaining agreement entered into by Pekin Water Works Company and in effect on January 1, 1982 will commence on April 1, 1982.

B.9 Seymour Water Co. Service for benefit accrual for Employees who became Employees by reason of the acquisition of Seymour Water Co. will commence on March 16, 1982. For vesting purposes, such Employees will be given credit for service with Seymour Water Co. from their date of hire nearest March 16, 1982. See Table 5 for Special Option Factors.

B.10 New Mexico-American Water Company. Service for all Employees who first became Employees pursuant to the terms of the Asset Acquisition Agreement between Clovis Water Company and New Mexico-American Water Company shall include Years of Service with Southwestern Public Service Company for purposes of determining eligibility to participate, vesting, benefit accrual, eligibility for Early Retirement under Section 4.2, including, for purposes of satisfying the minimum service requirement thereof, eligibility for Disability Retirement under Section 4.3 and eligibility for surviving spouse benefits under Section 6.1(b), and in applying the Early Retirement Reduction Factors of Table 1.

B.11 Indiana-American Water Company, Inc. Service for benefit accrual for employees previously covered by the Indiana-American Water Company, Inc. - Plumbers and Steam-Fitters Local 157 Pension Plan (Terre Haute Bargaining Unit) (the "Terre Haute Pension Plan"), shall begin on May 11, 1987. For purposes of vesting under Section 8.1 and disability retirement under Section 4.3, service for all such employees shall include service taken into account under the Terre Haute Pension Plan. Service for all such employees for purposes of eligibility for early retirement shall include all service credited under the Terre Haute Pension Plan for purposes of determining whether any such employee's age and Years of Service total at least 70, provided that no such employee shall be entitled to early retirement under the Plan before May 11, 1992.

B.12 Brownsville Water Company. Service for all purposes under the Plan other than for benefit accrual shall begin on such Employee's date of hire by Brownsville Water Company nearest the date that that company was acquired, which was July 1, 1990. Service for benefit accrual under the Plan for such Employee shall begin July 1, 1990.

B.13 California Water Company. Service for all purposes under the Plan other than for benefit accrual shall begin on such Employee's date of hire by California Water Company nearest the date that that company was acquired, which was July 1, 1990. Service for benefit accrual under the Plan for such Employee shall begin July 1, 1990.

B.14 Certain Transferred Employees. For purposes of computing the monthly normal or late retirement income under Section 5.2 of any Employee of California-American Water Company, West Virginia Water Company, Yardley Water Company, New Mexico-American Water Company or any other Subsidiary, who had been employed by the Company or a Designated Subsidiary and who was transferred to a Subsidiary that, at the time of such transfer was not, but subsequently became, a Designated Subsidiary, that Employee's service with such Subsidiary during the period before it became a Designated Subsidiary shall be credited to the same extent as if it had been performed for the Company or a Designated Subsidiary. In addition, during that interval, such Employee shall be considered a Participant for purposes of eligibility for Early Retirement under Section 4.2 and 5.4, eligibility for Disability Retirement under Section 4.3 and 5.5, and eligibility for survivor benefits under Section 6.1 and 6.3.

B.15 Northern Michigan Water Company. Service for benefit accrual for Employees who first became Employees by reason of the acquisition of Northern Michigan Water Company will commence on August 31, 1993, the Closing Date under the Stock Purchase Agreement dated as of January 30, 1993. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with Northern Michigan Water Company shall be counted.

B.16 Ohio Suburban Water Company. Service for benefit accrual for Employees who first became Employees by reason of the acquisition of Ohio Suburban Water Company will commence on August 31, 1993, the Closing Date under the Stock Purchase Agreement dated as of January 30, 1993. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with Ohio Suburban Water Company shall be counted.

B.17 Missouri Cities Water Company. Service for benefit accrual for Employees who first became Employees by reason of the acquisition of Missouri Cities Water Company will commence on August 31, 1993, the Closing Date under the Stock Purchase Agreement dated as of January 30, 1993. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with Missouri Cities Water Company shall be counted.

B.18 Indiana Cities Water Corporation. Service for benefit accrual for Employees who first became Employees by reason of the acquisition of Indiana Cities Water Corporation will commence on August 31, 1993, the Closing Date under the Stock Purchase Agreement dated as of January 30, 1993. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with Indiana Cities Water Corporation shall be counted.

B.19 Country Place Water Co., Inc. and Country Place Water Treatment Co., Inc. (Monroe County), PA. Service for all purposes under the Plan for non-union Employees who first became Employees by reason of the acquisition of Country Place Water Co., Inc. or Country Place Water Treatment Co., Inc. will commence on June 30, 1995.

B.20 Pennsylvania Gas and Water Company. Service for all purposes under the Plan other than for benefit accrual shall begin on such Employee's date of hire by Pennsylvania Gas and Water Company nearest February 16, 1996, the closing date under the Asset Purchase Agreement by and among Pennsylvania Enterprises, Inc., Pennsylvania Gas and Water Company, American Water Works Company, Inc. and Pennsylvania-American Water Company. Service for benefit accrual under the Plan for such Employee shall begin February 16, 1996.

B.21 Hawaii American Water. Service for benefit accrual for Employees who first became Employees by reason of the acquisition of Hawaii American Water will commence on July 1, 1998. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with Hawaii American Water shall be counted.

B.22 United Water Resources, Inc.

(a) Service for benefit accrual for employees previously covered under the United Water Resources, Inc. Retirement Plan, shall begin on the following dates:

Location	Date
United Water of Indiana	February 1, 2000
United Water of West Lafayette	February 1, 2000
United Water of Virginia	February 29, 2000
United Water of Missouri	May 1, 2000
United Water of Illinois	May 31, 2000

For eligibility to participate and vesting under the Plan, service with United Water Resources, Inc. shall be counted.

(b) Service for all purposes for Employees previously covered under the United Waterworks Inc. Employees' Retirement Plan (the "United Waterworks Plan") whose terms and conditions of employment are covered by a union contract shall include all service taken into account under the United Waterworks Plan. Accrued Benefits under the Plan shall be determined on the basis of the United Waterworks Plan formula in effect on the date(s) specified in (a) above, as applicable.

B.23 City of Coatesville Authority. Service for benefit accrual purposes for Employees who first became Employees by reason of the Asset Purchase Agreement by and between the City of Coatesville Authority and American Water Works Company, Inc. will commence on March 23, 2001, the Closing Date under the Asset Purchase Agreement dated February 15, 2000 and amended on October 5, 2000. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with the City of Coatesville Authority shall be counted.

B.24 City of Florissant, MO. Service for benefit accrual for non-union Employees who first became Employees by reason of the acquisition of City of Florissant, MO will commence on November 1, 2001. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with City of Florissant, MO shall be counted.

B.25 Texas American Water Company. Service for all purposes under the Plan for Employees who first became Employees by reason of the acquisition of Texas American Water Company on November 1, 2001, will commence on July 1, 2002.

B.26 Citizens Utilities Companies. Service for benefit accrual purposes for Employees who first became Employees by reason of the Asset Purchase Agreement by and among Citizens Utilities Company and Certain of Its Affiliates and American Water Works Company, Inc. and Arizona-American Water Company will commence on January 15, 2002, the Closing Date under the Asset Purchase Agreement dated October 15, 1999. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with Citizens Utilities Companies shall be counted.

B.27 City of Webster Groves, MO. Service for benefit accrual for Employees who first became Employees by reason of the acquisition of City of Webster Groves, MO will commence on February 8, 2002. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with City of Webster Groves, MO shall be counted.

B.28 LP Water & Sewer Company (Monroe and Pike Counties), PA. Service for benefit accrual for non-union Employees who first became Employees by reason of the acquisition of LP Water & Sewer Company (Monroe and Pike Counties), PA will commence on April 3, 2002. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with LP Water & Sewer Company (Monroe and Pike Counties), PA shall be counted.

[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K]

APPENDIX 4

SPECIAL SERVICE CREDITING RULES AND BENEFIT PROVISIONS RELATING TO NEI ACQUISITION

NON-UNION EMPLOYEES.

Effective July 1, 2001, eligible non-union employees of Northwest Indiana Water Company, Northern Illinois Water Corporation, Long Island Water Corporation and St. Louis Water Company (collectively with their subsidiaries referred to as "NEI") began participation in the Plan. The following special rules apply only to the non-union employees of NEI who were hired prior to July 1, 2001.

I. NORTHWEST INDIANA WATER COMPANY

A. "Service Crediting" means all service including service with Northwest Indiana Water Company for purposes of vesting and for purposes of determining entitlement to Early Retirement.

For purposes of benefit accrual service, effective June 30, 2001, non-union employees shall cease to be credited with Years of Service under the Employees' Pension Plan of Northwest Indiana Water Company ("Northwest Indiana Plan") and will commence benefit accrual service under the Pension Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries.

B. "Early Retirement Date" means the first of the month following a Participant's 55th birthday and completion of 5 or more Years of Service.

C. "Early Retirement Income" means the monthly retirement income commencing on a Participant's Early Retirement Date in an amount equal to the sum of:

(i) their normal retirement benefit as determined under Section D(i) reduced to reflect the early commencement of benefits by multiplying such benefit by the fraction from the following schedule:

Lesser of: Years Until Age 65, or Years of Vesting Service less than 30	Applicable Fraction
10	15/30
9	16/30
8	17/30
7	18/30
6	19/30
5	20/30
4	22/30
3	24/30
2	26/30
1	28/30
0	30/30

plus

(ii) their normal retirement benefit as determined under Section D(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

D. "Normal Retirement Income"

Effective for any Participant retiring after June 30, 2001, except as modified by the provisions of Section 6.1(a) of the Plan, a Participant's monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to the sum of the following:

(i) 1.667% of Final Average Earnings at retirement multiplied by Years of Service prior to July 1, 2001 as determined under the provisions of the Northwest Indiana Plan, up to a maximum of 30 years, plus

(ii) 1.60% of Final Average Earnings at retirement multiplied by Years of Service after July 1, 2001 to Normal or Late Retirement Date.

E. "Vested Benefits in the Event of Termination of Employment"

The benefit of any vested active Employee who terminates employment on or after July 1, 2001 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section 1.C above.

II. LONG ISLAND WATER CORPORATION

A. "Service Crediting" means all service including service with Long Island Water Corporation (which became part of New York American Water Company, Inc. on October 4, 2012) for purposes of vesting and for purposes of determining entitlement to Early Retirement.

For purposes of benefit accrual service, effective June 30, 2001, non-union employees shall cease to be credited with Years of Service under the Long Island Water Corporation Employees Retirement Plan ("Long Island Plan") and will commence benefit accrual service under the Pension Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries.

B. "Early Retirement Income" means the monthly retirement income commencing on a Participant's Early Retirement Date in an amount equal to the sum of:

(i) their normal retirement benefit as determined under Section D(i) reduced 2% for each year (1/6% for each month) subsequent to age 62, and reduced 4% for each year (1/3% for each month) prior to age 62, by which the Participant's Early Retirement Date precedes their Normal Retirement Date, in accordance with the following table:

Age at Early Retirement	Early Retirement Fraction
65	1.00
64	.98
63	.96
62	.94
61	.90
60	.86
59	.82
58	.78
57	.74
56	.70
55	.66

plus

(ii) their normal retirement benefit as determined under Section D(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

C. "Supplemental Early Retirement Income"

In addition to the Early Retirement Income, a Supplemental Early Retirement Income, in the yearly amount of $1,200 ($100 per month) will be payable to the Participant, commencing on their Early Retirement Date and ceasing with the earlier of their death or their attainment of age 65, provided that:

(i) the Participant is an Employee on the date they elect an Early Retirement Date, and

(ii) the sum of the Participant's age and Years of Service equals 90 units.

The yearly amount of the Supplemental Early Retirement Income will be reduced by 5% for each unit by which the sum of the Participant's age and Years of Service is less than 90.

D. "Normal Retirement Income"

Effective for any Participant retiring after June 30, 2001, except as modified by the provisions of Section 6.1(a) of the Plan, a Participant's monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to the sum of the following:

(i) 1.75% of Final Average Earnings at retirement multiplied by Years of Service prior to July 1, 2001, as determined under the Long Island Plan, plus

(ii) 1.60% of Final Average Earnings at retirement multiplied by Years of Service after July 1, 2001 to Normal or Late Retirement Date.

In no event shall a Participant's Accrued Benefit be less than their Accrued Benefit earned under the terms of the Long Island Water Corporation Pension Plan as of June 30, 2001.

E. "Vested Benefits in the Event of Termination of Employment"

The benefit of any vested active Employee who terminates employment on or after July 1, 2001 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section II.B above.

III. ST. LOUIS COUNTY WATER COMPANY

A. "Service Crediting" means all service including service with St. Louis County Water Company for purposes of vesting and for purposes of determining entitlement to Early Retirement.

For purposes of benefit accrual service, effective June 30, 2001, non-union employees shall cease to be credited with Years of Service under The St. Louis County Water Company Pension Plan and will commence benefit accrual service effective as of July 1, 2001 under the Pension Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries.

B. "Early Retirement Income" means the monthly retirement income commencing on a Participant's Early Retirement Date in an amount equal to the sum of:

(i) their normal retirement benefit as determined under Section C(i) reduced to reflect the early commencement of benefits by multiplying such benefit by the applicable factor from Table 4(b); plus

(ii) their normal retirement benefit as determined under Section C(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

C. "Normal Retirement Income"

Effective for any Participant retiring after June 30, 2001, except as modified by the provisions of Section 6.1(a) of the Plan, a Participant's monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to the sum of the following:

(i) 1.50% of Final Average Earnings at retirement multiplied by Years of Service prior to July 1, 2001, as determined under the St. Louis Plan, plus

(ii) 1.60% of Final Average Earnings at retirement multiplied by Years of Service after July 1, 2001 to Normal or Late Retirement Date.

D. "Vested Benefits in the Event of Termination of Employment"

The benefit of any vested active Employee who terminates employment on or after July 1, 2001 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section III.B above.

IV. NORTHERN ILLINOIS WATER CORPORATION

A. "Service Crediting" means all service including service with Northern Illinois Water Corporation for purposes of vesting and for purposes of determining entitlement to Early Retirement.

For purposes of benefit accrual service, effective June 30, 2001, non-union employees shall cease to be credited with Years of Service under the Northern Illinois Water Corporation Retirement Income Plan ("Northern Illinois Plan") and will commence benefit accrual service effective as of July 1, 2001 under the Pension Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries.

B. "Early Retirement Date" means the first of the month following a Participant's attainment of age 55.

C. "Early Retirement Income" means the monthly retirement income commencing on a Participant's Early Retirement Date in an amount equal to the sum of:

(i) their normal retirement benefit as determined under Section D(i) reduced to reflect the early commencement of benefits by multiplying such benefit by the factor from the following schedule:

Number of Years Early Retirement Date Precedes Normal Retirement Date	Applicable Factor
1	.97
2	.94
3	.91
4	.88
5	.85
6	.82
7	.79
8	.76
9	.73
10	.70

plus

(ii) their normal retirement benefit as determined under Section D(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

D. "Normal Retirement Income"

Effective for any Participant retiring after June 30, 2001, except as modified by the provisions of Section 6.1(a) of the Plan, a Participant's monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to the sum of the following:

(i) 1.33% of Final Average Earnings at retirement multiplied by Years of Service prior to July 1, 2001, as determined under the Northern Illinois Plan, plus

(ii) 1.60% of Final Average Earnings at retirement multiplied by Years of Service after July 1, 2001 to Normal or Late Retirement Date.

E. "Vested Benefits in the Event of Termination of Employment"

The benefit of any vested active Employee who terminates employment on or after July 1, 2001 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section IV.C above.

UNION EMPLOYEES.

V. INDIANA-AMERICAN WATER COMPANY, INC. (formerly Northwest Indiana Water Corporation) - UNION EMPLOYEES AT THE NORTHWEST OPERATIONS FACILITY

Effective December 31, 2002, or as soon as administratively practicable thereafter, the Northwest Indiana Water Company Retirement Plan (the "Indiana Plan"), consisting of two different groups of union employees, was merged with and into the Plan. Effective January 1, 2003, all eligible union employees of Indiana-American Water Company, Inc. began participation in the Plan.

The following special rules apply only to each active Employee of Indiana-American Water Company, Inc. who, as of December 31, 2002, is both: (1) a member of the USWA, Local 13584 (including Local 13584-01) at the Company's northwest operations facility, and (2) a participant in the Indiana Plan (a "Local 13584 Participant"):

A. Service Crediting. All service with the Company, including service with Northwest Indiana Water Corporation and Indiana-American Water Company, Inc. shall be credited to a Local 13584 Participant for purposes of vesting and for purposes of determining entitlement to Early Retirement.

For purposes of benefit accrual service, effective December 31, 2002, a Local 13584 Participant will cease to be credited with years of service under the Indiana Plan. Thereafter, a Local 13584 Participant's benefit accrual service shall consist of benefit accrual service credited under the terms of the Indiana Plan through December 31, 2002, plus, beginning January 1, 2003, any additional benefit service credited under the terms of the Plan.

B. Early Retirement Date. A Local 13584 Participant's Early Retirement Date shall be the first of any month following the date they attain at least age 55 (but before age 65) and is credited with 5 Years of Service for vesting purposes.

C. Early Retirement Income. The benefit payable to a Local 13584 Participant commencing on their Early Retirement Date shall be a monthly amount equal to the sum of:

(i) their normal retirement benefit as determined under Section D(i) reduced to reflect the early commencement of benefits by multiplying such benefit by the factor from the following table:

Lesser of: Years Until Age 65, or Years of Service for Vesting Purposes Less than 30	Applicable Fraction
10	15/30
9	16/30
8	17/30
7	18/30
6	19/30
5	20/30
4	22/30
3	24/30
2	26/30
1	28/30
0	30/30

plus

(ii) their normal retirement benefit as determined under Section D(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

D. Normal Retirement Income. Effective for any Local 13584 Participant retiring on and after January 1, 2003, except as modified by the provisions of Section 6.1(a) of the Plan, the benefit payable to a Local 13584 Participant commencing on their Normal or Late Retirement Date shall be a monthly amount equal to the sum of:

(i) 1.667% of Final Average Earnings at retirement multiplied by Years of Service prior to January 1, 2003, as determined under the provisions of the Indiana Plan, up to a maximum of 30 years, plus;

(ii) 1.60% multiplied by Years of Service credited to the Local 13584 Participant under the terms of the Plan on and after January 1, 2003, multiplied by their Final Average Earnings as defined by the Plan.

In no event shall a Local 13584 Participant's Accrued Benefit be less than their Accrued Benefit earned under the terms of the Indiana Plan as of December 31, 2002.

E. Vested Benefits in the Event of Termination of Employment. The benefit of any vested active Local 13584 Participant who terminates employment on or after January 1, 2003, and who is not yet eligible for Early Retirement, shall be determined in accordance with Section C above.

VI. MISSOURI-AMERICAN WATER COMPANY (formerly St. Louis County Water Company) - UNION EMPLOYEES

Effective June 30, 2003, the St. Louis County Water Company Pension Plan (the "St. Louis Plan"), consisting entirely of union Employees, was merged with and into the Plan. These union Employees continued to participate under the terms of the St. Louis Plan until January 1, 2004, at which time all eligible union employees of Missouri-American Water Company began participation in the Plan.

The following special rules apply only to each active Employee of Missouri-American Water Company who, as of December 31, 2003, is both: (1) a member of the Utility Workers Union of America Affiliated with the AFL-CIO, Local 335, and (2) a participant in the St. Louis Plan (a "Local 335 Participant"):

A. Service Crediting. All service with the Company, including service with St. Louis Water Company and Missouri-American Water Company, shall be credited to a Local 335 Participant for purposes of vesting and determining eligibility for early retirement, preretirement death benefits and disability benefits.

For purposes of benefit accrual service, effective December 31, 2003, a Local 335 Participant will cease to be credited with years of service under the St. Louis Plan. Thereafter, a Local 335 Participant's benefit accrual service shall consist of benefit accrual service credited under the terms of the St. Louis Plan through December 31, 2003, plus, beginning January 1, 2004, any additional benefit service credited under the terms of the Plan.

B. Early Retirement Income. The benefit payable to a Local 335 Participant commencing on their Early Retirement Date shall be a monthly amount equal to the sum of:

(i) their normal retirement benefit as determined under Section C(i) reduced to reflect the early commencement of benefits by multiplying such benefit by the factor from the following table:

Age	Applicable Factor
64	.970
63	.941
62	.913
61	.885
60	.859
59	.833
58	.808
57	.784
56	.760
55	.737

plus

(ii) their normal retirement benefit as determined under Section C(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

C. Normal Retirement Income. Effective for any Local 335 Participant retiring on and after January 1, 2004, except as modified by the provisions of Section 6.1(a) of the Plan, the benefit payable to a Local 335 Participant payable on their Normal or Late Retirement Date shall be a monthly amount equal to the sum of:

(i) 1.50% multiplied by years of service credited to the Local 335 Participant under the terms of the St. Louis Plan through December 31, 2003, multiplied by their Final Average Earnings as defined by the Plan;

plus

(ii) 1.60% multiplied by Years of Service credited to the Local 335 Participant under the terms of the Plan on and after January 1, 2004, multiplied by their Final Average Earnings as defined by the Plan.

In no event shall a Local 335 Participant's Accrued Benefit be less than their Accrued Benefit earned under the terms of the St. Louis Plan as of December 31, 2003.

D. Vested Benefits in the Event of Termination of Employment. The benefit of any vested active Local 335 Participant who terminates employment on or after January 1, 2004, and who is not yet eligible for Early Retirement, shall be determined in accordance with Section B above.

VII. LONG ISLAND WATER CORPORATION - UNION EMPLOYEES

Effective June 30, 2004, the Long Island Water Corporation Employees Retirement Plan (the "Long Island Plan"), consisting entirely of union Employees, was merged with and into the Plan. Effective July 1, 2004, all eligible union Employees of Long Island Water Company began participation in the Plan. Effective October 4, 2012, Long Island Water Corporation merged with New York Water Services Corporation, Aqua New York, Inc. and Aqua New York of Sea Cliff, Inc. to form New York American Water Company, Inc.

A. Special Rules for Union Employees Hired Prior to July 1, 2004. The following special rules apply only to each active Employee of New York American Water Company, Inc. (formerly Long Island Water Corporation) who, as of June 30, 2004 was both: (1) a member of the Utility Workers Union of America Local 365 at the Company's Long Island, New York facility, and (2) participating in the Long Island Plan (a "Local 365 Participant"):

(i) Service Crediting. All service with the Company, including service with Long Island Water Corporation and New York American Water Company, Inc., shall be credited to a Local 365 Participant for purposes of vesting, determining eligibility for early retirement, preretirement death benefits and disability benefits.

For purposes of benefit accrual service, effective June 30, 2004, a Local 365 Participant will cease to be credited with years of service under the Long Island Plan.

Thereafter, a Local 365 Participant's benefit accrual service shall consist of benefit accrual service credited under the terms of the Long Island Plan through June 30, 2004, plus, beginning July 1, 2004, any additional benefit service credited under the terms of the Plan.

(ii) Early Retirement Income. The benefit payable to a Local 365 Participant on their Early Retirement Date shall be their normal retirement benefit as determined under Section C multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

(iii) Normal Retirement Income. Effective for any Local 365 Participant retiring on or after July 1, 2004, except as modified by the provisions of Section 6.1(a) of the Plan, the benefit payable to a Local 365 Participant on their Normal or Late Retirement Date shall be a monthly amount equal to the sum of the following:

(a) 1.75% multiplied by years of service credited to the Local 365 Participant under the terms of the Long Island Plan through June 30, 2004, multiplied by their Final Average Earnings, as defined by the Plan, as of the earlier of July 31, 2010 or their actual termination of employment; plus

(b) 1.60% multiplied by Years of Service credited to the Local 365 Participant under the terms of the Plan on and after July 1, 2004 but before January 1, 2008, multiplied by their Final Average Earnings, as defined by the Plan, as of the earlier of July 31, 2010 or their actual termination of employment; plus

(c) the greater of:

(1) 1.60% multiplied by Years of Service credited to the Local 365 Participant under the terms of the Plan on and after August 1, 2010 through their date of retirement or other termination employment, multiplied by their Final Average Earnings, as defined by the Plan, as of their actual termination of employment; or

(2) 1.60% multiplied by Earnings, as defined by the Plan, for each Year of Service credited under the terms of the Plan on and after August 1, 2010 but before January 1, 2013.

In no event shall a Local 365 Participant's Accrued Benefit be less than their Accrued Benefit earned under the terms of the Long Island Plan as of June 30, 2004.

(iv) Vested Benefits in the Event of Termination of Employment. The benefit of any vested active Local 365 Participant who terminates employment on or after July 1, 2004 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section B above.

B. Normal Retirement Income - Special Rules for Union Employees Hired On and After July 1, 2004. The following special rules apply only to an Employee of New York American Water Company, Inc. (formerly Long Island Water Corporation) who was hired on or after July 1, 2004, and is a member of the Utility Workers Union of America Local 365 at the Company's Long Island, New York facility ("New Local 365 Participant"). A New Local 365 Participant shall, upon meeting the eligibility

requirements of Section 3.1 of the Plan, commence participation under the terms of the Plan except as otherwise provided in this Section B.

Effective for any New Local 365 Participant hired before January 1, 2006, except as modified by the provisions of Section 6.1(a) of the Plan, a New Local 365 Participant's monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to the sum of the following:

(i) 1.60% multiplied by Years of Service credited to the New Local 365 Participant on and after July 1, 2004 but before January 1, 2006, multiplied by their of Final Average Earnings as of the earlier of December 31, 2005 or their actual termination of employment; plus

(ii) the greater of:

(a) 1.60% multiplied by Years of Service credited to the New Local 365 Participant under the terms of the Plan on and after January 1, 2006 through their date of retirement or other termination employment, multiplied by their Final Average Earnings, as defined by the Plan, as of their actual termination of employment; or

(b) 1.60% multiplied by Earnings for each Year of Service credited to the New Local 365 Participant on and after January 1, 2006 but before January 1, 2013.

VIII. ILLINOIS-AMERICAN WATER COMPANY (formerly Northern Illinois Water Corporation) - UNION EMPLOYEES AT CHAMPAIGN, ILLINOIS

Effective June 30, 2004, the Northern Illinois Water Corporation Retirement Income Plan (the "Northern Illinois Plan"), consisting of two different groups of union employees, was merged with and into the Plan. Effective July 1, 2004, all eligible union employees of Illinois-American Water Company began participation in the Plan.

Employees of Illinois-American Water Company who are members of the IBEW Local 51 at the Company's Sterling, Illinois facility continue to participate under the terms of the former Northern Illinois Plan, as described in Article IX of this Appendix 4.

The following special rules apply only to each active Employee of Illinois-American Water Company who, as of June 30, 2004, is both: (1) a member of the Utility Workers Union of America, Local 500 at the Company's Champaign, Illinois facility, and (2) a participant in the Northern Illinois Plan (a "Local 500 Participant"):

A. Service Crediting. All service with the Company, including service with Northern Illinois Water Corporation and Illinois-American Water Company, shall be credited to a Local 500 Participant for purposes of vesting and for purposes of determining entitlement to Early Retirement.

For purposes of benefit accrual service, effective June 30, 2004, a Local 500 Participant will cease to be credited with years of service under the Northern Illinois Plan. Thereafter, a

Local 500 Participant's benefit accrual service shall consist of benefit accrual service credited under the terms of the Northern Illinois Plan through June 30, 2004, plus, beginning July 1, 2004, any additional benefit service credited under the terms of the Plan.

B. Early Retirement Date. A Local 500 Participant's Early Retirement Date shall be the first of any month following their attainment of age 55 but before age 65.

C. Early Retirement Income. The benefit payable to a Local 500 Participant commencing on their Early Retirement Date shall be a monthly amount equal to the sum of:

(i) their normal retirement benefit as determined under Section D(i) reduced to reflect the early commencement of benefits by multiplying such benefit by the factor from the following table:

Number of Years Early Retirement Date Precedes Normal Retirement Date	Applicable Factor
1	.97
2	.94
3	.91
4	.88
5	.85
6	.82
7	.79
8	.76
9	.73
10	.70

plus

(ii) their normal retirement benefit as determined under Section D(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

D. Normal Retirement Income. Effective for any Local 500 Participant retiring on and after July 1, 2004, except as modified by the provisions of Section 6.1(a) of the Plan, the benefit payable to a Local 500 Participant commencing on their Normal or Late Retirement Date shall be a monthly amount equal to the sum of:

(i) 1.33% multiplied by years of service credited to the Local 500 Participant under the terms of the Northern Illinois Plan through June 30, 2004, multiplied by their Final Average Earnings as defined by the Plan; plus

(ii) 1.60% multiplied by Years of Service credited to the Local 500 Participant under the terms of the Plan on and after July 1, 2004, multiplied by their Final Average Earnings as defined by the Plan.

In no event shall a Local 500 Participant's Accrued Benefit be less than their Accrued Benefit earned under the terms of the Northern Illinois Plan as of June 30, 2004.

E. Vested Benefits in the Event of Termination of Employment. The benefit of any vested active Local 500 Participant who terminates employment on or after July 1, 2004 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section C above.

IX. ILLINOIS-AMERICAN WATER COMPANY (formerly Northern Illinois Water Corporation) - UNION EMPLOYEES AT STERLING, ILLINOIS

Effective June 30, 2004, the Northern Illinois Water Corporation Retirement Income Plan (the "Northern Illinois Plan"), consisting of two different groups of union employees, was merged with and into the Plan. Employees of Illinois-American Water Company who were members of the IBEW Local 51 at the Company's Sterling, Illinois facility continued to participate under the terms of the former Northern Illinois Plan, as described in this Article IX prior to July 1, 2012. This Article IX is updated effective July 1, 2012, in accordance with the most recent collective bargaining agreement.

The following special rules apply only to each active Employee of Illinois-American Water Company who was: (1) as of June 30, 2004, both: (a) a member of the IBEW Local 51 at the Company's Sterling, Illinois facility, and (b) a participant in the Northern Illinois Plan; or (2) hired on or after July 1, 2004, but prior to February 1, 2009, as a member of the IBEW Local 51 at the Company's Sterling, Illinois facility (collectively "Local 51 Participants"). Except as otherwise provided under this Article IX, a Local 51 Participant shall participate in and be subject to all provisions of the Plan.

A. Definitions. All capitalized terms which are not defined below shall have the meaning given to them under Section 2.1 of the Plan.

(i) "Actuarial Equivalent" means, effective July 1, 2012, a benefit of equivalent value determine in accordance with Section 2.1(b) of the Plan; provided, however, notwithstanding any other Plan provision to the contrary, the value of an optional form of benefit (other than for benefit determinations subject to the requirements of section 417(e)(3) of the Code) elected by a Local 51 Participant with an Annuity Starting Date on or after July 1, 2012, will not be less than the value of that optional form of benefit based on their accrued benefit as of June 30, 2012, an interest rate of 7.5 percent and the mortality table as set forth in Revenue Ruling 95-6.

(ii) "Compensation" means, for purposes other than the limitations under Appendix 2, the total earnings paid or made available to an Employee by the Employer plus contributed by the Employer pursuant to a salary reduction agreement and which are not includible in the gross income of the employee under sections 125, 132(f)(4), 402(e), 402(h), or 403(b) of the Code. Compensation shall exclude overtime pay, shift or Sunday premiums and special compensation.

(iii) "Average Compensation" means, on any April 1, the average of a Local 51 Participant's monthly Compensation for those five consecutive 12-month periods (all 12-month periods if less than five) which give the highest average out of the final ten 12-month periods (all 12-month periods if less than ten) of employment with the Employer. Solely for purposes of this paragraph, a "12-month period" shall mean the 12-month period beginning on July 1 of a calendar year and ending in June 30 of the following calendar year.

(iv) "Early Retirement Age" means age 55.

(v) "Early Retirement Date" means the first day of any month on or after a Local 51 Participant reaches their Early Retirement Age but before their Normal Retirement Date, and on which they commence their benefit. A Local 51 Participant who has terminated employment with the Employer with a vested benefit before reaching their Early Retirement Age may elect an early retirement benefit upon reaching their Early Retirement Age.

(vi) "Qualified Joint and Survivor Annuity" means a joint and survivor annuity that is the Actuarial Equivalent of the normal form of benefit for an unmarried Local 51 Participant that provides a monthly annuity for the life of the Local 51 Participant's surviving spouse equal to 50% of the monthly annuity payable during the joint lives of the Local 51 Participant and their spouse.

(vii) "Required Beginning Date" means, solely for purposes of this Article IX, the April 1 of the calendar year following the calendar year in which the Local 51 Participant attains age 70-½.

(viii) "Required Contribution Account" means, on any date, the total of a Local 51 Participant's Required Contributions with interest. Contributions previously paid to the Local 51 Participant or applied for them, and any interest that would have been credited on those contributions, shall be excluded. On and after April 1, 1988, interest shall be credited in each Plan Year at the rate of 120% of the Federal mid-term rate (as in effect under section 1274 of the Code for the first month of the Plan Year) per annum compounded annually. Before April 1, 1988, interest was credited at the rate specified in the Plan as in effect on the day immediately before April 1, 1988. Interest shall be credited on each Required Contribution from the end of the Plan Year for which it was made until the month prior to the date of determination.

(ix) "Required Contributions" means nondeductible contributions required from a Local 51 Participant prior to. January 1, 1967 (August 1, 1966 for any Employee of the Champion Division.)

(x) "Required Contribution. Accrued Benefit" means the amount of monthly retirement benefit payable in the form of a Single Life Annuity accrued by a Local 51 Participant which is derived from their Required Contributions.

(xi) "Single Life Annuity" means a monthly benefit payable for the life of the Local 51 Participant with a modified cash refund of their Required Contribution Account, if any.

B. Participation. An eligible Employee who is a member of the IBEW Local 51 at the Company's Sterling, Illinois facility (other than an Employee hired or rehired on or after February 1, 2009) shall commence participation under this Article IX on the first day of the month coincident with or next following the date on which they: (1) attain age 21; and (2) complete one Year of Service for eligibility purposes.

C. Early Retirement Income. The benefit payable to a Local 51 Participant commencing on their Early Retirement Date shall be determined as follows:

(i) Terminated or Retired Prior to July 1, 2012. If the Local 51 Participant terminates employment or retires prior to July 1_ 2012, their benefit commencing on their Early Retirement Date shall be their normal retirement benefit as determined under Section D reduced to reflect the early commencement of benefits by multiplying such benefit by the factor from the following table:

Number of Years Early Retirement Date Precedes Normal Retirement Date	Applicable Factor
1	.97
2	.94
3	.91
4	.88
5	.85
6	.82
7	.79
8	.76
9	.73
10	.70

(ii) Terminated or Retired on or after July 1, 2012. If the Local 51 Participant terminates employment or retires on or after July 1, 2012, their benefit commencing on their Early Retirement Date shall be the sum of

(a) their normal retirement benefit as determined under Sections D(ii)(a) and D(ii)(c) reduced to reflect the early commencement of benefits by multiplying such benefit by the factor from the following table

Number of Years Early Retirement Date Precedes Normal Retirement Date	Applicable Factor
1	.97
2	.94
3	.91
4	.88
5	.85
6	.82
7	.79
8	.76
9	.73
10	.70

and

(b) their normal retirement benefit as determined under Section D(ii)(b) as of their Early Retirement Date multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to the Plan as Table 1.

D. Normal Retirement Income. Effective for any Local 51 Participant retiring on and after July 1, 2004, except as modified by the provisions of Section 6.1(a) of the Plan, the benefit payable to a Local 51 Participant commencing on their Normal Retirement Date shall be determined as follows:

(i) Terminated or Retired Prior to July 1, 2012. If the Local 51 Participant terminates employment or retires prior to July 1, 2012, their benefit shall be a monthly amount equal to the sum of:

(a) 1.33% of their Average Compensation multiplied by their Years of Service; plus

b) $1 for each $144 of their Required Contribution Account, if any.

(ii) Terminated or Retired on or after July 1, 2012. For any Local 51 Participant who continues to be actively employed on or after July 1, 2012, their benefit shall be a monthly amount equal to the sum of:

(a) 1.33% times Years of Service prior to July 1, 2012 times Final Average Earnings; plus

(b) 1.60% times Years of Service on or after July 1, 2012 times Final Average Earnings; plus

(c) $1 for each $144 of their Required Contribution Account, if any.

(iii) A Local 51 Participant may commence receipt of their normal retirement benefit on their Normal Retirement Date regardless of whether they are still employed by the Employer on such date.

E. Late Retirement Income. The benefit payable to a Local 51 Participant commencing on their Late Retirement Date shall be the greatest of:

(i) their normal retirement benefit as determined under Section D on their Late Retirement Date; or

(ii) their normal retirement benefit determined as of June 30, 2012 under Section D multiplied by the factor shown below corresponding to the number of years their Late Retirement Date follows their Normal Retirement Date

Number of Years Late Retirement Date Follows Normal Retirement Date	Applicable Factor
1	1.0600
2	1.1200
3	1.1900
4	1.2600
5	1.3400
6	1.4200
7	1.5000
8	1.5900
9	1.6900
10	1.7900

The above factors shall be prorated for a partial year (counting a partial month as a complete month). Factors for numbers of years beyond 10 shall be determined using a consistently applied reasonable actuarially equivalent method; or

(iii) with respect to a Local 51 Participant whose Late Retirement Date occurs after their Required Beginning Date, their normal retirement benefit as determined under Section D (determined as of June 30, 2012) multiplied by the factor in Section E(ii) for I year past Normal Retirement Date, prorated for a partial year based on the number of months in the period (counting a partial month as a complete month).

The amount in this Section E(iii) shall be redetermined after each subsequent April 1 based on the retirement benefit that would have been paid on their Required Beginning Date (determined as if their Late Retirement Date had occurred on their Required Beginning Date) multiplied by the factor in Section E(ii) for 1 year past Normal Retirement Date, prorated for a partial year based on the number of months since such Yearly Date (counting a partial month as a complete month).

Such greatest amount so determined applies to an active Local 51 Participant, who (1) is not a five-percent owner, (2) has attained age 701/2, and (3) makes an election to defer commencement of their retirement benefit until the calendar year following the calendar year in which they retire.

F. Minimum Benefit. An active Local 51 Participant's benefit payable as a Single Life Annuity shall not be less than the greatest amount of benefit that would have been provided for them had they retired on any earlier retirement date. In any event, an active Local 51 Participant's retirement benefit payable as a Single Life Annuity on their retirement date will not be less than the greater of their Required Contribution Account Accrued Benefit on their retirement date, multiplied by the appropriate factor if their retirement date is an Early Retirement Date, or the monthly benefit payable as a Single Life Annuity which is the Actuarial Equivalent of their Required Contribution Account on such date.

G. Vesting. A Local 51 Participant shall have no vested interest in their Accrued Benefit until they have been credited with five Years of Service for vesting purposes, at which time they shall have a 100% vested interest in their Accrued Benefit determined under this Article IX. Notwithstanding the foregoing, a Local 51 Participant who is actively employed by the Employer shall have a 100% vested interest in their Accrued Benefit upon reaching their Early Retirement Age or Normal Retirement Age.

A Local 51 Participant's Required Contribution Account is fully 100% vested and nonforfeitable at all times.

H. Vested Benefits in the Event of Termination of Employment. The benefit of any vested active Local 51 Participant who terminates employment on or after July 1, 2004 shall be:

(i) in the case of a Local 51 Participant who elects to commence their deferred vested benefit on their Early Retirement Date, an amount determined in accordance with Section H(ii) below multiplied by the applicable early retirement factor in Section C above.

(ii) in the case of a Local 51 Participant who elects to commence their deferred vested benefit on their Normal Retirement Date, an amount equal to the sum of (a) and (b):

(a) the Local 51 Participant's Required Contribution Accrued Benefit as of the date of determination (or the date the Required Contribution Account is paid in a single sum, if earlier);

(b) the excess of the Local 51 Participant's Accrued Benefit on the day before they terminated employment over the amount determined under (a) above but not less than $0.

(iii) in the case of a Local 51 Participant who elects to commence their deferred vested benefit on their Late Retirement Date, an amount equal to:

(a) if they terminated on or before their Normal Retirement Date, an amount equal to the amount under Section H(ii) above multiplied by the late retirement factor in Section E(ii) which corresponds to the number of years their Late Retirement Date follows their Normal Retirement Date; or

(b) if they terminated after their Normal Retirement Date, an amount equal to the greater of:

(1) their Accrued Benefit on the day before they terminated employment with the Employer; or

(2) their Accrued Benefit on their Normal Retirement Date multiplied by the late retirement factor in Section E(ii) which corresponds to the number of years their Late Retirement Date follows their Normal Retirement Date.

Provided, however, for a terminated Local 51 Participant whose Late Retirement Date occurs after their Required Beginning Date, their deferred monthly retirement benefit determined in Section H(iii)(a) or (b) of this Article IX, whichever applies, shall be adjusted as provided in Section E(iii) of this Article IX.

I. Forms of Distribution.

(i) Normal Form for Unmarried Local 51 Participants. The normal form of distribution for an unmarried Local 51 Participant shall be a Single Life Annuity as defined in Section A(xi) of this Article IX.

(ii) Normal Form for Married Participants. If a Participant is married on their Annuity Starting Date, their retirement income will be paid to them in the form of a Qualified Joint and Survivor Annuity.

(iii) Required Contribution Account. A Local 51 Participant may elect, subject to the notice and election procedures of Section 6.2 of the Plan, as applicable, to receive their Required Contribution Account in a single-sum payment at any time after they cease to be an Employee and before their retirement date, provided they are not reemployed by the Employer.

(iv) Survivor Benefits Available by Election. A Local 51 Participant who is actively employed on or after July 1, 2012 may elect, subject to the notice and election provisions of Section 6.2 of the Plan, as applicable, to provide benefits for their Contingent Annuitant as described in Section 6.4.

J. Preretirement Survivor Annuity.

(i) Eligibility for Preretirement Survivor Annuity. If a married Local 51 Participant or an unmarried Local 51 Participant who has designated a Contingent Annuitant dies on or after July 1, 2012 but before their Annuity Starting Date, their surviving spouse or Contingent Annuitant, as applicable, shall receive a Preretirement Survivor Annuity as provided in this Section J. If a Local 51 Participant dies prior to July 1, 2012, the benefit, if any, payable to their spouse or Contingent Annuitant shall be determined under the provisions of the Plan in effect prior to July 1, 2012.

(ii) Death Prior to Early Retirement Eligibility, After Completing Five, But Not Yet Ten Years of Service. In the event of the death of a married Local 51 Participant or an unmarried Local 51 Participant who has designated a Contingent Annuitant on or after the date they have competed at least five Years of Service but before they have completed at least ten Years of Service or become eligible for Early Retirement, whether such Local 51 Participant is then actively employed or not, such Local 51 Participant's

spouse or Contingent Annuitant, as applicable, shall be entitled to a benefit, payable, if such spouse or Contingent Annuitant is then surviving, on the first day of the month coincident with, or next following the later of (A) the date of the Local 51 Participant's death or (B) the date the Local 51 Participant would have attained age 55 had they survived. The amount of such benefit shall be the same amount that such surviving spouse or Contingent Annuitant would have received had such Local 51 Participant terminated their service, survived to age 55, elected the 50% contingent annuity form of benefit, as determined under Table 2 based on their and their spouse's or Contingent Annuitant's then attained ages, and then died.

(iii) Death Prior to Early Retirement Eligibility but After Completing Ten Years of Service. In the event of the death of a married Local 51 Participant or an unmarried Local 51 Participant who has designated a Contingent Annuitant on or after the date they have completed at least ten Years of Service but prior to becoming eligible for Early Retirement, whether such Local 51 Participant is then actively employed or not, such Local 51 Participant's spouse or Contingent Annuitant, as applicable, shall be entitled to a benefit, payable, if such spouse or Contingent Annuitant is then surviving, on the first day of the month coincident with, or next following the later of (A) the date of the Local 51 Participant's death or (B) the date the Local 51 Participant would have attained age 55 had they survived. The amount of such benefit shall be the same amount that such surviving spouse or Contingent Annuitant would have received had such Local 51 Participant retired on the day before their death, or at age 55 if the date of death is prior to the date the Local 51 Participant attains age 55, elected to receive the 100% contingent annuity form of benefit and then died. The amount of such benefit shall be determined under Table 4, based on their attained age and the attained age of their spouse or Contingent Annuitant, except that for purposes of applying Table 4, the Local 51 Participant's attained age, if less than age 55, shall be considered to be age 55 and their is spouse's or Contingent Annuitant's age shall be adjusted so that it bears the same relationship to age 55 as their actual attained ages bear to each other.

(iv) Death After Becoming Eligible for Early Retirement. In the event of the death of a married Local 51 Participant or an unmarried Local 51 Participant who has designated a Contingent Annuitant while they are eligible for Early Retirement, whether such Local 51 Participant is then actively employed or not, such Local 51 Participant's spouse or Contingent Annuitant, as applicable, shall be entitled to a benefit, payable, if such spouse or Contingent Annuitant is then surviving, on the first day of the month coincident with, or next following the date of the Local 51 Participant's death. The amount of such benefit shall be the same amount that such surviving spouse or Contingent Annuitant would have received had such Local 51 Participant retired on the day before their death, elected to receive the 100% contingent annuitant form of benefit as determined under Table 4, based on their attained age and the attained age of their spouse or Contingent Annuitant, and then died.

(v) Death After Becoming Eligible for Normal Retirement. In the event of the death of a married Local 51 Participant or an unmarried Local 51 Participant who has designated a Contingent Annuitant while actively employed after their Normal Retirement Date, such Local 51 Participant's spouse or Contingent Annuitant, as applicable, shall be entitled to a benefit, payable, if such spouse or Contingent Annuitant

is then surviving, on the first day of the month coincident with, or next following the date of the Local 51 Participant's death. The amount of such benefit shall be the same amount that such surviving spouse or Contingent Annuitant would have received had such Local 51 Participant retired on their Late Retirement Date, elected to receive the 100% contingent annuitant form of benefit as determined under Table 4, based on their attained age and the attained age of their spouse or Contingent Annuitant, and then died.

(vi) Any benefit payable under this Section J shall terminate on the surviving spouse's or Contingent Annuitant's death.

(vii) Notwithstanding anything in this Section J to the contrary, if a single-sum death benefit would otherwise be payable under Section K below, the monthly benefit payable to the spouse or Contingent Annuitant, as applicable, under this Section J shall not be less than the monthly benefit which is the Actuarial Equivalent of the single-sum death benefit at the date benefits start.

K. Single-Sum Death Benefit. If the requirements of Section J above have not been met on the date a Local 51 Participant dies, a single-sum death benefit equal to their Required Contribution Account on the date they died, if any, shall be payable to the Local 51 Participant's spouse, if any, or to the Local 51 Participant's estate. If the requirements of Section J above have been met on the date such Local 51 Participant dies, but the Local 51 Participant's spouse or Contingent Annuitant dies before the preretirement survivor annuity starts, this single-sum death benefit, determined as of the date of the spouse's or Contingent Annuitant's death, shall be paid to the Local 51 Participant's estate.

L. Disability Retirement Income.

(i) A Local 51 Participant who has completed 10 or more Years of Service, and who qualifies for disability retirement under this Section L shall be retired as of the first day of the month following the first month in which the Administration Committee has received both (i) the Local 51 Participant's written request for disability retirement, and (ii) evidence reasonably satisfactory to the Administration Committee that the Local 51 Participant has been determined by the United States Social Security Administration to qualify for total and permanent disability benefits under the Social Security Act. A Local 51 Participant shall be eligible for disability retirement benefits if, as a result of mental or physical illness or injury (other than self-inflicted) while actively employed, they qualify for disability benefits under the Social Security Act. Disability benefit payments shall commence in either the month in which the disabled Local 51 Participant is retired, as described above, or in the next following month, as may be administratively practicable. Such payments under the Plan shall be made retroactively to the first day of the month following the date as of which the Local 51 Participant is deemed to be disabled by the Social Security Administration, or, if later, to the last day of the Local 51 Participant's eligibility for continuation of the Local 51 Participant's salary or hourly wages as sick pay under an applicable Employer sick pay plan. The sum of any retroactive payments shall be paid in a lump sum, without interest, as part of the first monthly payment of disability benefits. A Local 51 Participant shall provide such reasonable evidence of continued Social Security disability as the Administration Committee may require from time to time. Disability benefits shall be discontinued if the Local 51 Participant ceases to qualify for disability benefits under the Social Security Act.

(ii) "Disability Retirement Date" means the date a Participant retires before their Normal Retirement Date in accordance with the provisions of Section L(i).

(iii) A Local 51 Participant who retires under the provisions of Section L(i) before their Normal Retirement Date shall be entitled to receive for life, or as long as their disability continues to qualify under the Social Security Act, a monthly retirement income commencing on their Disability Retirement Date in an amount equal to the benefit which they would have received pursuant to Section D based on their Years of Service and Final Average Earnings as of their Disability Retirement Date, without reduction for early commencement. Notwithstanding the above, if a Local 51 Participant is not actively employed (meaning engaged in work duties for the Employer) on or after July 1, 2012, their benefit shall be determined under the provisions of the Plan in effect prior to July 1, 2012.

(iv) A Local 51 Participant who becomes disabled, while actively employed, on or after attaining age 65, shall be considered to have retired under Section D or Section E, as applicable, and will be entitled to a monthly retirement income, if any, in an amount determined under Section D or E and Section 6.1(a), as applicable.

APPENDIX 5

SPECIAL SERVICE CREDITING RULES AND BENEFIT PROVISIONS RELATING TO MERGER OF EMPLOYEES' RETIREMENT PLAN OF ELIZABETHTOWN WATER COMPANY

Effective January 1, 2006, the Employees' Retirement Plan of Elizabethtown Water Company (the "Elizabethtown Plan") was amended to provide that the benefit of all non-union participants would continue to be paid from the Elizabethtown Plan trust, however all benefits would become payable in accordance with the terms of the Pension Plan for Employees of American Water Works Company, Inc. And Its Designated Subsidiaries provided that certain protected benefits and features would continue to apply. The Elizabethtown Plan was also amended to provide that all Local 423 union employees hired or rehired on or after April 1, 2006 and all Local 68 union employees hired or rehired on or after May 1, 2006 were not eligible to commence or recommence participation in the Elizabethtown Plan.

Effective December 31, 2006, the Elizabethtown Plan was merged with and into the Plan, assets were transferred from the Elizabethtown Plan trust to the Trust for the Plan, and eligible employees of Elizabethtown Water Company began participation in the Plan. The following special rules apply only to the non-union and union employees who had accrued a benefit under the Elizabethtown Plan as of December 31, 2006.

NON-UNION EMPLOYEES.

The following special rules apply only to non-union employees who had accrued a benefit under the Elizabethtown Plan as of December 31, 2006 (the "Non-union Participants").

A. Definitions. All capitalized terms which are not defined below shall have the meaning given to them under Article 2 of the Plan.

(i) "Compensation" means regular earnings paid to an Employee, including contributions made by an Employee to a Code section 125 or 401(k) plan, but excluding bonuses, overtime pay, special pay and all other Employer contributions to benefit plans.

(ii) "Early Retirement Date" means the first of the month following a Non-union Participant's 55th birthday and completion of 10 or more Years of Service.

(iii) "Final Average Earnings" determined for periods beginning on and after January 1, 2006 and before January 1, 2011 shall be based on:

(a) the Non-union Participant's "Compensation" (as defined in Section A(i) above) for the portion of the applicable 60 consecutive months which occurred before January 1, 2006; and

(b) the Non-union Participant's "Earnings" (as defined in Section 2.1(n)) for the portion of the applicable 60 consecutive months which occurred on and after January 1, 2006.

(iv) "Service Crediting" or "Years of Service" means all service including service with Elizabethtown Water Company for purposes of vesting and for purposes of determining entitlement to Early Retirement.

For purposes of benefit accrual service, effective January 1, 2006, Non-union Participants shall cease to be credited with Years of Service under the Elizabethtown Plan and will commence benefit accrual service under the Pension Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries.

B. Early Retirement Income means the monthly retirement income commencing on a Non-union Participant's Early Retirement Date in an amount equal to the sum of:

(i) their normal retirement benefit as determined under Section C(i) reduced to reflect the early commencement of benefits by multiplying such benefit by 5/12 of 1% for each month that the commencement of payments precedes their Normal Retirement Date (or, if the Non-union Participant has completed at least 25 Years of Service, the reduction shall apply for each month that the commencement of payments precedes their attainment of age 60); plus

(ii) their normal retirement benefit as determined under Section C(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

C. Normal Retirement Income.

Effective for any Non-union Participant retiring after January 1, 2006, except as modified by the provisions of Section 6.1(a) of the Plan, a Participant's monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to the sum of the following:

(i) 1.60% of Final Average Earnings at retirement multiplied by Years of Service prior to January 1, 2006 as determined under the provisions of the Elizabethtown Plan, up to a maximum of 40 years, plus

(ii) 1.60% of Final Average Earnings at retirement multiplied by Years of Service after January 1, 2006 to Normal or Late Retirement Date.

D. Vested Benefits in the Event of Termination of Employment.

The benefit of any vested Non-union Participant who terminates employment on or after January 1, 2006 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section B above.

E. Lump Sum Option.

In addition to the optional forms of payment provided under Section 6.3 of the Plan, if the Actuarially Equivalent present value of a Non-union Participant's vested Accrued Benefit is less than $15,000, they may elect to receive their benefit in the form of a single lump sum payment.

UNION EMPLOYEES.

The following special rules apply only to Local 423 union employees hired before April 1, 2006 and all Local 68 union employees hired before May 1, 2006 who had accrued a benefit under the Elizabethtown Plan as of December 31, 2006 (the "Union Participants").

A. Definitions. All capitalized terms which are not defined below shall have the meaning given to them under Section 2.1 of the Plan.

(i) "Actuarial Equivalent" means an amount of equal value when computed on the basis of the 1978 Group Annuity Mortality Table (1971 Group Annuity Mortality Table Projected to 1978 with scale E) and an interest rate of 5% per annum. An average of male and female rates shall be used. For purposes of determining lump sum present values for distributions with an Annuity Starting Date on and after December 31, 2006, the calculation shall be made using the applicable interest rate under section 417(e)(3) of the Code for the October immediately preceding the calendar year during which the Annuity Starting Date occurs, provided that the lump sum present value for distributions made on or before December 31, 2007, shall not be less than the lump sum present value based on the applicable interest rate under section 417(e)(3) of the Code for the December preceding the calendar year in which the Annuity Starting Date occurs.

(ii) "Average Monthly Compensation" means the average of the Union Participant's "Compensation" (as defined in Section A(iv) below) for any four consecutive calendar years during the period beginning with 1966 and ending on the date their employment terminates which produces the highest average.

(iii) "Beneficiary" means the person, persons or trust entitled to receive the payments, if any, made with respect to a Union Participant after such Participant's death.

(iv) "Compensation" means regular earnings paid to a Union Participant, including contributions made by a Union Participant to a Code section 125 or 401(k) plan, but excluding bonuses, overtime pay, special pay and all other Employer contributions to benefit plans. Compensation shall also include amounts paid to a Union Participant by Elizabethtown Water Company, or any of its participating affiliates, and credited as "Compensation" under the Elizabethtown Plan prior to the merger on December 31, 2006.

(v) "Early Retirement Date" means the first of the month following a Union Participant's 55th birthday and completion of 10 or more Years of Service.

(vi) "Elizabethtown Plan" means the Employees' Retirement Plan of Elizabethtown Water Company, as in effect on December 31, 2006, the date it was merged with and into the Plan.

(vii) "Qualified Joint and Survivor Annuity" or "QJSA" means an annuity for the life of the Union Participant with a survivor annuity for the life of such Participant's surviving Spouse which is equal to 50% of the amount which is payable during the joint lives of the Union Participant and their Spouse.

(viii) "Service Crediting" or "Years of Service". A Union Participant shall be credited with a Year of Service for each Plan Year during which they complete at least 1,000 Hours of Service with the Designated Subsidiary; provided, however, that a Union Participant shall be credited with a Year of Service for the period beginning July 1, 2022 and ending on June 30, 2023 if they complete at least 1,000 Hours of Service during such period. Years of Service shall also include periods of service with Elizabethtown Water Company or its participating affiliates credited under the Elizabethtown Plan as "Credited Service" prior to the merger on December 31, 2006. Notwithstanding the foregoing, the maximum number of Years of Service credited under the Plan shall be 40.

(ix) "Spouse" means the husband or wife to whom the Union Participant had been married throughout the one-year period preceding the earlier of their Annuity Starting Date or date of their death.

B. Early Retirement Income. A Union Participant's monthly retirement income commencing on a Union Participant's Early Retirement Date shall be an amount equal to their normal retirement benefit as determined under Section C(i) reduced to reflect the early commencement of benefits by multiplying such benefit by 5/12 of 1% for each month that the commencement of payments precedes their Normal Retirement Date (or, if the Union Participant has completed at least 25 Years of Service, the reduction shall apply for each month that the commencement of payments precedes their attainment of age 60).

C. Normal or Late Retirement Income.

A Union Participant's monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to the greater of (i) or (ii) as follows:

(i) 1.60% of Average Monthly Compensation at retirement multiplied by Years of Service, up to a maximum of 40 years, or

(ii) their Accrued Benefit as of December 31, 1995, calculated under the terms of the prior Elizabethtown Plan as then effective.

D. Disability. A Union Participant shall not be eligible for any disability retirement benefit under the Plan unless such Union Participant (1) is a Local 423 union employee hired before April 1, 2006 who had a benefit under the Elizabethtown Plan as of December 31, 2006, and (2) becomes eligible for a disability retirement benefit under Section 4.3 of the Plan on or after February 1, 2009 while actively employed by New Jersey-American Water Company, Inc. (formerly known as the Elizabethtown Water Company). A Union Participant who is a Local 68 union employee shall not be eligible for any disability retirement benefit under the Plan.

E. Vested Benefits in the Event of Termination of Employment.

The benefit of any vested Union Participant who terminates employment on or after January 1, 2006 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section B above. Such Union Participant shall be entitled to receive their benefit beginning with the month following their Normal Retirement Date and shall not be eligible to receive their benefit upon termination as provided in Section 8.2(b).

F. Forms of Benefit Payment.

(i) Normal Forms of Payment.

(a) The normal form of retirement benefit for an unmarried Union Participant shall be a monthly annuity for the life of such Participant continuing until the last payment due before their death. An unmarried Union Participant may elect an optional form of payment in lieu of the normal form pursuant to the notice and election procedures under the Plan.

(b) The normal form of retirement benefit for a Union Participant who has been married throughout the one-year period preceding their Annuity Starting Date shall be a Qualified Joint and Survivor Annuity or QJSA. Such a Participant may elect the normal form of benefit for an unmarried Participant or an optional form of benefit under this Section F. The Union Participant's election of an optional form of benefit will be valid only if their Spouse consents to their election in writing, signed before a notary public, pursuant to the notice and election procedures set forth in the Plan.

(ii) Optional Forms of Payment. Subject to the spousal waiver provision described above (if applicable) and in lieu of the normal form of benefit payment, a Union Elizabethtown Participant may elect one of the optional fauns of benefit payment:

(a) 100% Contingent Annuitant Option. The amount of retirement income to be paid to the Union Participant shall be reduced, but after their death 100% of such reduced retirement income shall be paid for life to their Spouse. The amount of reduced retirement income payable to the Participant shall be 80% of the amount otherwise payable. Such reduced retirement income shall be further reduced, or increased, by 1% for each year by which the Union Participant's Spouse is more than five years younger, or older, than the Participant. However, in no event shall the retirement income payable under this option be greater than that payable in the absence of an option.

(b) 50% Contingent Annuitant Option. The amount of retirement income to be paid to the Union Participant shall be reduced, but after their death 50% of such reduced retirement income shall be paid for life to their Spouse. The amount of reduced retirement income payable to the Participant shall be 90% of the amount otherwise payable. Such reduced retirement income shall be further reduced, or increased, by one-half percent (½%) for each year by which the Union Participant's Spouse is more than five years younger, or older, than the Participant. However, in no event shall the retirement income payable under this option be greater than that payable in the absence of an option.

(c) Five-Year Certain Option. The amount of retirement income to be paid to the Union Participant shall be reduced, but in the event of their death prior to receiving 60 monthly payments, the same amount of retirement income shall be continued to their Beneficiary until a combined total of 60 monthly payments have been made. The amount of reduced retirement income payable to the Participant shall be 98% of the amount otherwise payable to them.

(d) Ten-Year Certain Option. The amount of retirement income to be paid to the Union Participant shall be reduced, but in the event of their death prior to receiving 120 monthly payments, the same amount of retirement income shall be continued to their Beneficiary until a combined total of 120 monthly payments have been made. The amount of reduced retirement income payable to the Participant shall be 94% of the amount otherwise payable to them.

(e) Fifteen-Year Certain Option. The amount of retirement income to be paid to the Union Participant shall be reduced, but in the event of their death prior to receiving 180 monthly payments, the same amount of retirement income shall be continued to their Beneficiary until a combined total of 180 monthly payments have been made. The amount of reduced retirement income payable to the Participant shall be 88% of the amount otherwise payable to them.

(f) Lump Sum Option. If the Actuarially Equivalent present value of a Union Participant's vested Accrued Benefit is less than $15,000, they may elect to receive their benefit in the form of a single lump sum payment.

G. Death Benefits. The provisions of this Section shall apply to any vested Union Participant whether or not they have terminated employment with the Employer. Sections 6.3 and 6.4 shall not apply to any Union Participant. In addition, the Automatic Surviving Spouse Benefit under Section 6.1 of the Plan shall not apply to any Union Participant, however Section 6.2(d) (Notice and Election Procedures) for Qualified Joint and Survivor Annuity, shall apply to all Union Participants.

(i) Qualified Preretirement Survivor Annuity (QPSA).

(a) Death After Earliest Retirement Age. If a vested active or terminated vested Union Participant dies after the Earliest Retirement Age (as defined below), the Participant's Spouse or Beneficiary will receive the same benefit that would be payable if the Participant had retired with an immediate QJSA on the day before their date of death.

(b) Death Before Earliest Retirement Age If a vested active or terminated vested Union Participant dies on or before the Earliest Retirement Age, the Participant's Spouse or Beneficiary will receive the same benefit that would be payable if the Participant had:

(1) separated from service on the date of death,

(2) survived to the Earliest Retirement Age,

(3) elected to receive an immediate QJSA at the Earliest Retirement Age, and

(4) died on the day after the Earliest Retirement Age.

Notwithstanding the provisions of this Section, if the value of the QPSA is less than $5,000, the Administration Committee shall direct the immediate distribution of the Actuarial Equivalent thereof in a single lump sum in cash to the Union Participant's Spouse or Beneficiary.

(c) Reduction in Benefit. The benefit payable to the Spouse or Beneficiary will be reduced by 1/6 of one percent for each month that the date of birth of the Spouse or Beneficiary is more than five years after the date of birth of the deceased Union Participant.

(d) Death Benefit after Commencement of Benefits. The benefits, if any, payable as a result of death after the commencement of benefits shall be governed by the payment option in effect in accordance with Section F.

(e) Earliest Retirement Age, for the purpose of this Section, is the earliest date on which, under the Plan, the Union Participant could elect to receive retirement benefits.

(f) Qualified Joint and Survivor Annuity. For purposes of this Section, the definition of Qualified Joint and Survivor Annuity set forth in Section A is changed by substituting the term "Beneficiary" in place of the term "Spouse" wherever it is used therein.

(g) Benefits Payable to Beneficiaries. The death benefit payable pursuant to the provisions of this Section G(g) shall be payable to a Beneficiary only if the Union Participant has no Spouse, unless a valid spousal waiver has been obtained, in accordance with Section G(ii)(d).

(ii) Beneficiary Designation.

(a) Each Union Participant shall have the right to designate one or more Beneficiaries and contingent Beneficiaries to receive any benefit payable under Section G(i)(d) by filing a written designation with the Administration Committee on the form prescribed by the Administration Committee.

(b) If the Union Participant has elected an annuity with a contingent annuitant option, the election of the contingent annuitant shall be irrevocable as of the Annuity Starting Date.

(c) If the Union Participant has elected an annuity with a guaranteed number of monthly payments or commuted death benefit, such Union Participant may thereafter designate a different Beneficiary to receive the guaranteed monthly payments or commuted death benefit at any time by filing a new written designation with the Administration Committee.

(d) Notwithstanding the foregoing, if a married Union Participant designates a contingent annuitant or Beneficiary other than their Spouse and their Spouse does not consent to such designation in writing witnessed by a notary public or a representative of the Administration Committee in a manner prescribed by the Administration Committee, then the Union Participant's Spouse shall be the Participant's sole Beneficiary. A Spouse's consent to the Union Participant's Beneficiary designation given in accordance with the Administration Committee's rules shall be irrevocable by the Spouse with respect to the Beneficiary then designated by the Union Participant unless the Participant makes a new Beneficiary designation.

(e) Any written designation shall become effective only upon its receipt by the Administration Committee. If the Beneficiary designated pursuant to this Section should die on or before distribution of benefits and the Union Participant fails to make a new designation, then their Beneficiary shall be determined pursuant to Section G(iii). The Beneficiary of guaranteed monthly payments shall select the form of distribution in accordance with Section G(iv).

(iii) Beneficiary List. If (1) a Union Participant omits or fails to designate a Beneficiary, (2) no designated Beneficiary survives the Union Participant or (3) the Administration Committee determines that the Union Participant's Beneficiary designation is invalid for any reason, then any guaranteed monthly payments or commuted benefit payable after the death of the Union Participant shall be paid to their Spouse, or if the Union Participant is not survived by their Spouse, then to their estate. If the Union Participant's designated Beneficiary dies after the Union Participant, but before distribution of all guaranteed monthly payments, then the balance of the payments shall be paid to the Beneficiary's estate.

(iv) Manner and Form of Payment.

(a) Death benefits under Section G shall be distributed over a period not extending beyond five years of the Union Participant's date of death unless (1) payment of benefits commenced in the form of an annuity under Section E before the Union Participant's date of death, in which case benefits shall be distributed at least as rapidly as under the method of distribution in effect on the Union Participant's date of death, or (2) the benefit is payable to the Union Participant's designated Beneficiary and the projected distribution period does not exceed the life expectancy of such Beneficiary, provided distribution begins not later than one year after the date of the Participant's death or such later date as applicable regulations under the Code may permit.

(b) Notwithstanding the provisions of this Section, if the value of the death benefit is less than $5,000, the Administration Committee shall direct the immediate

distribution of the Actuarial Equivalent thereof in a single lump sum in cash to the Union Participant's Spouse or Beneficiary.

(v) Distribution of Employee Contributions. If a Union Participant dies prior to retirement and their Spouse is not eligible for a death benefit under Section G, their Beneficiary shall be paid a lump sum amount equal to the contributions, if any, which they made to the Elizabethtown Plan, including interest. Interest will be compounded annually to the date of death based on the following rates:

(a) from the date of contribution to December 31, 1987 at the rate of 5%;

(b) from January 1, 1988 to the date of death at the rate of 120 percent of the Federal mid-term rate as in effect under section 1274 of the Code for the first month of the Plan Year

APPENDIX 6

ARIZONA-NEW MEXICO EMPLOYEES

Effective July 1, 2011, the following Participants shall not be eligible to receive any benefit or future benefit under the Plan –

**AWW PARTICIPANTS ON WHOSE BEHALF
BENEFITS WERE TRANSFERRED TO
THE PENSION PLAN FOR EMPLOYEES OF
ARIZONA-AMERICAN WATER COMPANY AND
NEW MEXICO-AMERICAN WATER COMPANY**

Employee No.	Participant

[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]

Employee No.	**Participant**
[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]	
[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]	

Employee No.	**Participant**
[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]	

Employee No.	**Participant**

[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]

Employee No.	**Participant**
[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]	

APPENDIX 7

CONTINUED BENEFIT ACCRUAL SERVICE FOR NON-UNION TRANSFERRED EMPLOYEES UNDER SECTION 2.1(oo)(iii) (TRANSFERRED FROM AMERICAN WATER SERVICE COMPANY, INC. TO AMERICAN WATER ENTERPRISES, INC.)

The following non-union Participants who transferred from American Water Works Service Company, Inc. to American Water Enterprises, Inc. effective December 26, 2011 shall continue to be credited with Years of Service on and after December 26, 2011 for purposes of benefit accrual, as well as for vesting and for meeting the eligibility requirements for survivor benefits or for Normal, Late, Early or Disability Retirement Date, until such Participant subsequently terminates employment or is transferred from their December 26, 2011 classification to an ineligible employment classification:

[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]

APPENDIX 8

TRANSFERRING NYAWC PARTICIPANTS

1.1 Application.

The provisions of this Appendix shall apply to Transferring NYAWC Participants. "Transferring NYAWC Participants" include all of following individuals:

(a) all participants and former participants in the Plan who, as of December 31, 2021, (1) are actively employed by New York American Water Company, Inc., (2) have terminated employment with the Company and all members of its controlled group and, immediately before their terminations, were employed by New York American Water Company, Inc., or (3) are other former employees of New York American Water Company, Inc. designated by the Company and Liberty Utilities Co. to be subject to the pension transfer described in Section 1.3 of this Appendix 8; and

(b) [Employee Name Omitted], but solely with respect to the portion of their benefit under the Plan that was covered under the John Hancock Group Annuity Contract No. 334.

For purposes of clarification, the term "Transferring NYAWC Participant" shall also include beneficiaries or alternate payees of the foregoing Participants and former Participants.

1.2 Transferring NYAWC Participant Benefit Freeze.

Effective as of December 31, 2021 at 11:59 pm, with respect to each Transferring NYAWC Participant, Accrued Benefit shall be frozen. For purposes of benefit accrual, Earnings and Continuous Service shall be determined without regard to any period on or after January 1, 2022.

1.3 Transferring NYAWC Participant Post-Freeze Transfer.

Effective as of January 1, 2022, all of the Plan assets and benefit liabilities with respect to Transferring NYAWC Participants shall be transferred to the defined benefit pension plan designated by Liberty Utilities and its related trust. Following the transfer of assets and liabilities taking effect, a Transferring NYAWC Participant shall not be eligible to accrue additional benefits and shall not remain a Participant under the Plan with respect to benefits accrued prior to January 1, 2022, and New York American Water Company, Inc. shall not be a Designated Subsidiary under the Plan.

[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]

LIST OF TABLES OMITTED FROM FILING

The following tables to the attached Pension Plan have been omitted from Exhibit 10.16 pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted tables to the U.S. Securities and Exchange Commission upon request.

Table 1 Early Retirement Factors
Table 2 Factors to be Applied to Employee's Retirement Income to Determine Income Under Contingent Annuitant Option if 50% of Such Income is Continued to Contingent Annuitant
Table 3 Factors to be Applied to Employee's Retirement Income to Determine Income Under Contingent Annuitant Option if 66 2/3% of Such Income is Continued to Contingent Annuitant
Table 4 Factors to be Applied to Employee's Retirement Income to Determine Income Under Contingent Annuitant Option if 100% of Such Income is Continued to Contingent Annuitant
Table 4(a) Factors to be Applied to Employee's Retirement Income to Determine Income Under Contingent Annuitant Option if 75% of Such Income is Continued to Contingent Annuitant
Table 4(b) NEI – St. Louis Early Retirement Factor
Table 5 Special Option Factors to be Applied to Benefits Accrued Under Prior Plans of Designated Subsidiaries

Exhibit 21.1

American Water Works Company, Inc.'s Subsidiaries

As of February 15, 2023

Entity Name	Entity Type	Jurisdiction of Organization
American Industrial Water LLC	Limited Liability Company	Ohio
American Lake Water Company	Corporation	Illinois
American Water – Acciona Agua LLC	Limited Liability Company	Delaware
American Water (USA), LLC	Limited Liability Company	Delaware
American Water Canada Corp.	Corporation	Ontario
American Water Capital Corp.	Corporation	Delaware
American Water Enterprises Holding, LLC	Limited Liability Company	Delaware
American Water Enterprises, LLC	Limited Liability Company	Delaware
American Water Defense Services, LLC	Limited Liability Company	Delaware
American Water Federal Services, LLC	Limited Liability Company	Delaware
American Water Military Services, LLC	Limited Liability Company	Delaware
American Water Operations and Maintenance, LLC	Limited Liability Company	Texas
American Water Real Property Holdings LLC	Limited Liability Company	Delaware
American Water Services CDM, Inc.	Corporation	Washington
American Water Works Service Company, Inc.	Corporation	Delaware
AW Insurance LLC	Series Limited Liability Company	Delaware
AWIP Holdings LLC	Limited Liability Company	Delaware
AW Technologies, LLC	Limited Liability Company	Delaware
Bluefield Valley Water Works Company	Corporation	Virginia
California-American Water Company	Corporation	California
Edison Water Company	Corporation	New Jersey
Environmental Disposal Corporation	Corporation	New Jersey
Environmental Management, LLC	Limited Liability Company	Missouri
E'town Properties, Inc.	Corporation	Delaware
E'town Services L.L.C.	Limited Liability Company	New Jersey
Georgia-American Water Company LLC	Limited Liability Company	Delaware
Hawaii-American Water Company	Corporation	Nevada
Illinois-American Water Company	Corporation	Illinois
Indiana-American Water Company, Inc.	Corporation	Indiana
Iowa-American Water Company	Corporation	Delaware
Kentucky-American Water Company	Corporation	Kentucky
Laurel Oak Properties Corporation	Corporation	Delaware
Liberty Water Company	Corporation	New Jersey
Maryland-American Water Company	Corporation	Maryland
Missouri-American Water Company	Corporation	Missouri
New Jersey-American Water Company, Inc.	Corporation	New Jersey
One Water Street LLC	Limited Liability Company	New Jersey
Pennsylvania-American Water Company	Corporation	Pennsylvania
Prism-Berlie (Windsor) Limited	Corporation	Ontario
Tennessee-American Water Company	Corporation	Tennessee
TWH LLC	Limited Liability Company	Delaware
TWNA, Inc.	Corporation	Delaware
Virginia-American Water Company	Corporation	Virginia
West Virginia-American Water Company	Corporation	West Virginia

AMERICAN WATER WORKS COMPANY, INC.

List of Securities Registered Under the Securities Act of 1933 (the "Securities Act") and Entitled to the Benefit of the Support Agreement between American Water Capital Corp. ("AWCC") and American Water Works Company, Inc. ("parent company")

The following securities have been issued by AWCC and registered under the Securities Act, and have the benefit of that certain Support Agreement, as amended, by and between AWCC and parent company, which serves as the functional equivalent of a full and unconditional guarantee by parent company of the payment obligations of AWCC thereunder:

3.850% Senior Notes due 2024
3.400% Senior Notes due 2025
3.000% Senior Notes due 2026
2.950% Senior Notes due 2027
3.750% Senior Notes due 2028
3.450% Senior Notes due 2029
2.800% Senior Notes due 2030
2.300% Senior Notes due 2031
4.450% Senior Notes due 2032
6.593% Senior Notes due 2037
4.300% Senior Notes due 2042
4.300% Senior Notes due 2045
4.000% Senior Notes due 2046
3.750% Senior Notes due 2047
4.200% Senior Notes due 2048
4.150% Senior Notes due 2049
3.450% Senior Notes due 2050
3.250% Senior Notes due 2051

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-263068 and 333-253484) and Form S-8 (Nos. 333-235598, 333-219682, 333-217975, 333-168543 and 333-150381) of American Water Works Company, Inc. of our report dated February 15, 2023 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2023

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, M. Susan Hardwick certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2023

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, John C. Griffith, certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2023

By: /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, M. Susan Hardwick, President and Chief Executive Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)
February 15, 2023

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, John C. Griffith, Executive Vice President and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
February 15, 2023

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from_____ to _____
Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒
State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.
Common Stock, $0.01 par value—$24,667,400,000 as of June 30, 2021 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2021, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2021, to be controlled by, or under common control with, American Water or any of the persons described in clause (i) above).
Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, $0.01 par value per share—181,724,991 shares as of February 10, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2022 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2021 are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

Statements included in Item 1—Business, Item 1A—Risk Factors, and Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this Annual Report on Form 10-K, or incorporated by reference therein, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company's future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company's growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company's California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company's ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company's ability to execute its current and long-term business, operational and capital expenditures strategies; the Company's ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company's stated environmental and sustainability goals, including its greenhouse gas emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the ongoing COVID-19 pandemic; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company's actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the factors discussed under Item 1A—Risk Factors, and the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the ongoing COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors;
- changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;

- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
  - acquiring, closing and successfully integrating regulated operations and market-based businesses;
  - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts, with the U.S. government; and
  - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS") and its New York subsidiary, including:
  - the Company's ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company from time to time under the seller note when due; and
  - the ability of the Company to redeploy successfully and timely the net proceeds of these transactions into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements;

- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs, and (iii) the Company's ability to utilize its state income tax net operating loss ("NOL") carryforwards;
- migration of customers into or out of the Company's service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company's goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract qualified employees;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements contained in this Annual Report on Form 10-K, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Annual Report on Form 10-K was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I

ITEM 1. BUSINESS

The Company

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, the Company employs approximately 6,400 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company conducts the majority of its business through regulated utilities that provide water and wastewater services, collectively presented as the "Regulated Businesses." The Company also operates market-based businesses that provide complementary services. Individually, these businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented as the "Market-Based Businesses," which is consistent with how management assesses the results of these businesses.

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests of the HOS subsidiaries. See Item 1—Business—Market-Based Businesses—Sale of Homeowner Services Group below and Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

On January 1, 2022, the Company completed the sale of its New York subsidiary, see Item 1—Business—Regulated Businesses—Sale of New York American Water Company, Inc. below and Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021 and 2020.

Throughout this Annual Report on Form 10-K, unless the context otherwise requires, references to "we," "us," "our," the "Company," and "American Water" mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries.

Regulated Businesses

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. The Company's utilities operate in approximately 1,700 communities in 14 states in the United States, with 3.4 million active customers in its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). Federal, state and local governments also regulate environmental, health and safety, and water quality and water accountability matters. The Company reports the results of the services provided by its utilities in the Regulated Businesses segment. Operating revenues for the Regulated Businesses were $3,384 million for 2021, $3,255 million for 2020 and $3,094 million for 2019, accounting for 86%, 86% and 86%, respectively, of the Company's total operating revenues for the same periods.

Presented in the table below is a geographic summary of the Regulated Businesses' operating revenues and the number of customers the Company serves, by type of service, for and as of the year ended December 31, 2021:

	Operating Revenues (in millions)				Number of Customers (in thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
New Jersey	$ 778	$ 48	$ 826	24.4 %	660	55	715	20.3 %
Pennsylvania	688	82	770	22.8 %	677	82	759	21.5 %
Missouri	337	12	349	10.3 %	474	17	491	13.9 %
Illinois	303	37	340	10.0 %	295	69	364	10.3 %
California	265	3	268	7.9 %	187	3	190	5.4 %
Total—Top Five States (b)	2,371	182	2,553	75.4 %	2,293	226	2,519	71.4 %
New York (c)	127	—	127	3.8 %	127	—	127	3.6 %
Other (d)	678	26	704	20.8 %	849	35	884	25.0 %
Total Regulated Businesses	$ 3,176	$ 208	$ 3,384	100.0 %	3,269	261	3,530	100.0 %

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(b) The Company's "Top Five States" are determined based upon operating revenues.

(c) The Company completed the sale of its New York subsidiary on January 1, 2022.

(d) Includes the Company's utility operations in the following states: Georgia, Hawaii, Indiana, Iowa, Kentucky, Maryland, Michigan, Tennessee, Virginia and West Virginia and other revenue attributable collectively to the Regulated Businesses. The Company completed the sale of its Michigan subsidiary on February 4, 2022.

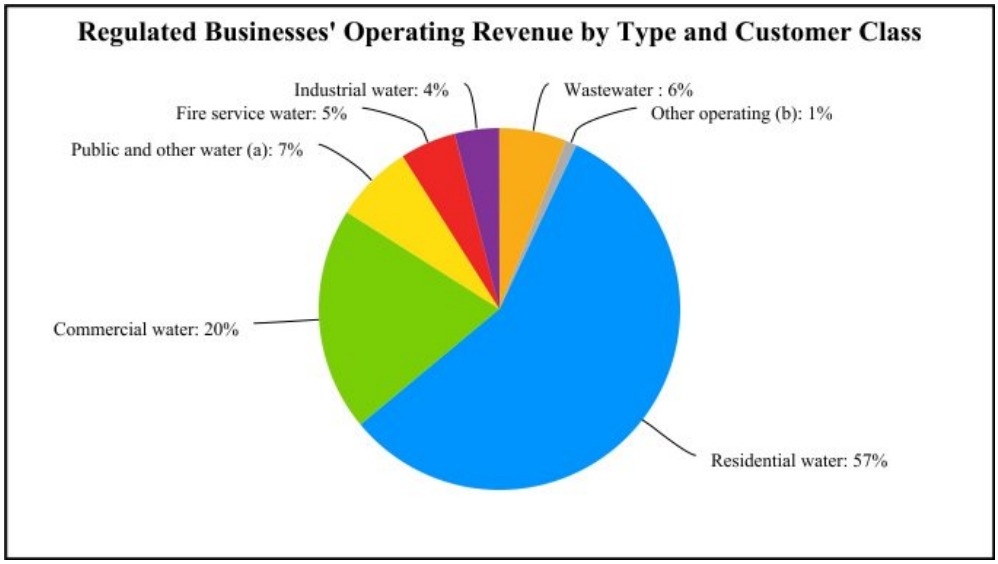
Customers

The Company's Regulated Businesses have a large and geographically diverse customer base. A customer is defined as a person, business, municipality or any other entity that purchases the Company's water or wastewater services as of the last business day of a reporting period. One single customer may purchase the Company's services for use by multiple individuals or businesses. Examples of these customers are homes, apartment complexes, businesses and governmental entities.

The vast majority of the Company's regulated water customers are metered, which allows the Company to measure and bill for its customers' water usage, typically on a monthly basis. The Company employs a variety of methods of customer meter reading to monitor consumption. These methods range from meters with mechanical registers where consumption is manually recorded by meter readers, to meters with electronic registers capable of transmitting consumption data to proximity devices or via radio frequency to mobile or fixed network data collectors. The Company's wastewater customers are billed either a flat rate or based upon their water consumption.

Residential customers make up a substantial portion of the Company's customer base in all of the states in which it operates. The Company also serves (i) commercial customers, such as food and beverage providers, commercial property developers and proprietors, and energy suppliers, (ii) fire service customers, where the Company supplies water through its distribution systems to public fire hydrants for firefighting purposes and to private fire customers for use in fire suppression systems in office buildings and other facilities, (iii) industrial customers, such as large-scale manufacturers, mining and production operations, (iv) public authorities, such as government buildings and other public sector facilities, including schools and universities, and (v) other utilities and community water and wastewater systems in the form of bulk contracts for the supply of water or the treatment of wastewater for their own customers.

The following chart depicts the allocation of the Company's Regulated Businesses' operating revenue of $3,384 million by type, including a breakout of the total water services revenues by class of customer, for the year ended December 31, 2021:



(a) Includes water revenues from public authorities and other utilities and community water systems under bulk contracts.

(b) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

Presented in the table below is the number of water and wastewater customers the Company served by class as of December 31, 2021, 2020 and 2019, which represents approximately 14 million people served as of December 31, 2021:

	2021		2020		2019	
(In thousands)	Water	Wastewater	Water	Wastewater	Water	Wastewater
Residential	2,972	245	2,948	236	2,914	215
Commercial	225	15	225	15	222	13
Fire service	52	—	50	—	49	—
Industrial	4	—	4	—	4	—
Public and other (a)	16	1	17	1	16	1
Total	3,269	261	3,244	252	3,205	229

(a) Includes public authorities and other utilities and community water and wastewater systems under bulk contracts. Bulk contracts, which are accounted for as a single customer in the table above, generally result in service to multiple customers.

Customer growth in the Company's Regulated Businesses is primarily from (i) adding new customers to its customer base through acquisitions of water and/or wastewater utility systems, (ii) population growth in its authorized service areas, and (iii) sale of water to other water utilities and community water systems.

Capital Investment

The Company plans to invest between $28 billion and $32 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses' water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. The Company has proactively improved its pipe renewal rate from a 250-year replacement cycle in 2009 to an expected 110-year replacement cycle by 2026, which it anticipates will enable the Company to replace nearly 2,200 miles of mains and collection pipes between 2022 and 2026. In addition, from 2022 to 2026, the Company's capital investment in treatment plants, storage tanks and other key, above-ground facilities is expected to increase, further addressing infrastructure renewal, resiliency, water quality, operational efficiency, technology and innovation, and emerging regulatory compliance needs. Additionally, the Company continues to invest significantly in resiliency projects to address the impacts of climate and weather variability by hardening its assets. The benefit of investing in resiliency projects was seen firsthand in the aftermath of Tropical Depression Ida, when the Company's New Jersey subsidiary reported that all its operating areas successfully withstood widespread flooding and drinking water quality was not impacted in any of its service areas. Specifically, the New Jersey subsidiary's Raritan-Millstone Water Treatment Plant, which was fortified with a $37 million flood protection project in 2018, withstood a record flood and continued to provide potable water supply for approximately 1 million people in parts of seven counties in central New Jersey.

Regulation and Rate Making

The operations of the Company's Regulated Businesses are generally subject to regulation by PUCs in the states in which they operate, with the primary responsibility of the PUCs being the promotion of the overall public interest by balancing the interest of customers and utility investors. Specific authority might differ from state to state, but in most states, PUCs review and approve rates charged to customers, accounting treatments, long-term financing programs and cost of capital, operation and maintenance ("O&M") expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers and acquisitions, and dispositions, along with imposing certain penalties or granting certain incentives. Regulatory policies vary from state to state and can change over time. These policies will affect the timing, as well as the extent, of recovery of expenses and the realized return on invested capital.

Periodic changes in customer rates generally occur through the filing of a rate case by the utility with the PUC. The timing of rate case filings is typically determined by either periodic requirements in the regulatory jurisdiction or by the utility's need to increase its revenue requirement to recover capital investment costs, changes in operating revenues, operating costs or other market conditions. The Company attempts to minimize "regulatory lag," which is the time between the occurrence of an event that triggers a change in the utility's revenue requirement and the recognition in rates of that change.

The Company's Regulated Businesses support regulatory practices at the PUCs and state legislatures that mitigate the adverse impact of regulatory lag. Presented in the table below are examples of approved regulatory practices:

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharge mechanisms	Allows rates to change periodically, outside a general rate case proceeding, to reflect recovery of capital investments made to replace infrastructure necessary to sustain safe and reliable services for the Company's customers. These mechanisms typically involve periodic filings and reviews to ensure transparency.	IA, IL, IN, KY, MO, NJ, PA, TN, VA, WV
Future test year	A "test year" is a period used for setting rates, and a future test year describes the first 12 months that new rates are proposed to be effective. The use of a future test year allows current or projected revenues, expenses and capital investments to be collected on a more timely basis.	CA, HI, IA, IL, IN, KY, PA, TN, VA
Hybrid test year	A historical test year sets rates using data from a 12-month period that ends prior to a general rate case filing. A hybrid test year allows an update to historical data for "known and measurable" changes that occur subsequent to the historical test year.	MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction ("AFUDC"). In addition, some states allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudency of such projects.	CA, IL, KY, PA, TN, VA
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility's control, to be recovered outside of a general rate case proceeding or deferred until the next general rate case proceeding.	CA, IL, MD, MO, NJ, PA, TN, VA
Revenue stability mechanisms	Adjusts rates periodically to ensure that a utility recovers the revenues authorized in its general rate case, regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently.	CA, IL
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state, and is generally used to moderate the price impact of periodic fluctuations in local costs, while lowering administrative costs for customers. Pennsylvania also permits a blending of water and wastewater revenue requirements.	CA, IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV
Deferred accounting	A regulators' willingness to defer recognition of financial impacts when setting rates for utilities.	All

The Company pursues enhancements to these regulatory practices to facilitate efficient recovery of its costs and capital investments and to continue to provide safe, clean, reliable and affordable services to its customers. The ability to seek regulatory treatment using the regulatory practices described above does not guarantee that the PUCs will accept the Company's proposal in the context of a particular rate case, and these regulatory practices may reduce, but not eliminate, regulatory lag associated with traditional rate making processes. It is also the Company's strategy to expand the use of these mechanisms in areas where they may not currently apply and enhance certain mechanisms where they already exist.

Acquisitions and Strategic Growth

The U.S. water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. According to the U.S. Environmental Protection Agency ("EPA"), as of 2017, approximately 84% of the water market is served by municipal systems and approximately 98% of the country's wastewater systems are government owned. The EPA also estimates, as of 2017, that there are approximately 50,000 community water systems and approximately 15,000 community wastewater systems in the United States, with approximately 80% of the community water systems serving a population of 3,000 or less.

A fundamental aspect of the Company's growth strategy is to pursue acquisitions of water and/or wastewater systems in geographic proximity to areas where the Company operates its Regulated Businesses, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information. The proximity of acquisition opportunities to the Company's regulated footprint allows it to integrate and manage the acquired systems and operations primarily using the Company's existing management (although the Company typically retains the majority, if not all, of the employees of the acquired systems) and to achieve operational efficiencies and prioritize capital investment needs. The Company's current customer mix of 93% water and 7% wastewater also presents strategic opportunities for wastewater growth and systems consolidation, allowing the Company to add wastewater customers where it already serves water customers. The Company intends to continue to expand its regulated footprint geographically by acquiring water and wastewater systems in its existing markets and, if appropriate, pursuing acquisition opportunities in certain domestic markets where the Company does not currently operate its Regulated Businesses. Before entering new regulated markets, the Company will evaluate the business and regulatory climates to ensure that it will have the opportunity to achieve an appropriate rate of return on its investment while maintaining its high standards for providing safe, reliable and affordable services to its customers, as well as a line of sight to grow the Company's base customers to attain efficiencies after entering the new domestic market.

Increasingly stringent environmental, health and safety, and water quality and water accountability regulations, the amount of infrastructure in need of significant capital investment, financial challenges and industry legislation are several elements, among others, that may drive more municipalities to consider selling their water and wastewater assets.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the sale of its New York subsidiary to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Under the terms of the Stock Purchase Agreement, dated November 20, 2019, as amended, by and among the Company, the Company's New York subsidiary and Liberty (the "Stock Purchase Agreement"), Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company's regulated New York operations had approximately 127,000 customers in the State of New York. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Industry Legislation

On November 15, 2021, the Infrastructure Investment and Jobs Act (the "IIJA") was signed into law and provides for up to $55 billion to aid in improving the country's ailing water infrastructure, including $23.4 billion for drinking water and wastewater, $15 billion for lead service line replacement (through the drinking water state revolving fund), and $10 billion for the treatment of per- and polyfluoroalkyl substances ("PFAS") and other contaminants of emerging concern. The bill also includes a low-income assistance program, which provides eligible low-income customers who receive their water from public and private entities to be eligible to participate in the program. The Company is awaiting further guidance on the distribution of these funds.

In December 2020, Congress passed, and the President signed into law, a $900 billion COVID-19 relief and $1.4 trillion U.S. government appropriations package for 2021, which included $638 million for a low-income water assistance program and $2.8 billion for capitalization grants under the Clean Water and Drinking Water State Revolving Funds.

In 2017, New Jersey enacted the Water Quality Accountability Act (the "WQAA"), which sets operational standards for all water utilities in New Jersey, including municipal and investor-owned utilities with more than 500 service connections. This law imposes requirements in areas such as asset management, water quality reporting, remediation of notices of violation, and hydrant and valve maintenance. The WQAA requires the most senior water manager, or either the executive director for municipal utility authorities or the mayor or chief executive officer for municipally owned public water systems, to certify that the system meets the requirements under the WQAA. Enhanced WQAA legislation includes additional enforcement requirements for disclosure of results, requires the sale of systems for prolonged violations and imposes new cyber security requirements and asset management plans. The new amendments, which provide for both civil and criminal penalties for falsification of documents, were signed by the Governor with an effective date of November 8, 2021.

In 2018, Indiana passed a law to set minimum operational expectations for all water and wastewater utilities in the state, including municipal and investor-owned utilities. The law requires water and wastewater utilities to conduct rate analyses, develop capital asset management plans and conduct cybersecurity and water loss audits. It also requires water and wastewater utilities to participate in regional discussions and planning to assess opportunities for the more efficient use of water and wastewater utility assets and infrastructure. Water and wastewater utilities that fail to comply with the requirements of the law may be ineligible for grants and loans from the State Revolving Fund. Under the law, all new municipal and investor-owned utilities are required to be regulated by the Indiana Utility Regulatory Commission for ten years from inception of operations.

In 2020, Missouri enacted the Water Safety and Security Act, which requires small and medium-sized water providers to create cybersecurity, valve inspection and hydrant inspection programs. Upon request by the Missouri Department of Natural Resources, the water providers must certify compliance with all regulations regarding water quality sampling, testing and reporting, hydrant and valve testing and reporting and cybersecurity plans and procedures.

The Company's regulated subsidiaries in California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia have access to utility valuation legislation and regulation for private sector investment in public sector water and wastewater systems. The Company supports full optionality for municipalities, including state legislation that enables the consolidation of the largely fragmented water and wastewater industries through third-party fair market valuations of purchased property. Fair market value assessment of water and wastewater systems is an alternative to the traditional depreciated original cost method of valuation, which allows the Company to offer municipalities a purchase price for their system assets that is reflective of the assets' fair market value, while providing the Company with increased opportunity to recover the purchase price over the life of the purchased system assets, subject to PUC approval. In 2021, the Tennessee Public Utilities Commission implemented acquisition valuation rules that create a mechanism to value water and wastewater assets based upon replacement cost new less depreciation.

Consolidated tariffs use a unified rate structure for systems owned and operated by a single utility, which may or may not be physically interconnected. Consolidated tariff pricing moderates the impact of periodic fluctuations in local costs and promotes a more universal water infrastructure investment in a state. As a result, consolidated tariffs can make it easier to incorporate new systems into an existing utility, support economies of scale for even the smallest of systems and prioritize capital needs across the state. Overall, the Company believes that consolidated tariffs bring cost-effective, high-quality services to a larger number of customers. Eleven of the Company's regulated jurisdictions currently have some form of consolidated tariff pricing, including California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Virginia and West Virginia.

Competition

The Company's Regulated Businesses generally do not face direct competition in their existing markets because (i) the Company operates in those markets pursuant to franchises, charters, certificates of public convenience and necessity or similar authorizations (collectively, "CPCNs") issued by state PUCs or other authorities, and (ii) the high cost of constructing a new water and wastewater system in an existing market creates a significant barrier to market entry. However, the Company's Regulated Businesses do face competition from governmental agencies, other investor-owned utilities, large industrial customers with the ability to provide their own water supply/treatment process and strategic buyers that are entering new markets and/or making strategic acquisitions. When pursuing acquisitions, the Company's largest investor-owned competitors, based on a comparison of operating revenues and population served, include Essential Utilities, Inc., Suez North America, American States Water Company and California Water Service Group. From time to time, the Company also faces competition from infrastructure funds, multi-utility companies and others, such as Algonquin Power and Utilities Corp., Eversource Energy and Corix.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original CPCN was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added "Measure J" to the November 2018 election ballot asking voters to decide whether the Monterey Peninsula Water Management District (the "MPWMD") should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed. In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. On June 12, 2020, the MPWMD issued a draft environmental impact report for the potential acquisition of the Monterey system assets and a related district boundary adjustment that would be required if the MPWMD were to acquire and operate certain of the Monterey system assets located outside the MPWMD's boundaries. On September 15, 2020, the MPWMD gave notice of its intention to appraise the Monterey system assets and related property interests. On September 29, 2020, the Company's California subsidiary declined to make the Monterey system assets and related property interests available for inspection or to comply with any of the other requests contained in the MPWMD's notice. On October 7, 2020, the MPWMD issued a final environmental impact report ("FEIR"), and on November 4, 2020, the MPWMD certified the FEIR, which purports to analyze the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. On November 25, 2020, the Company's California subsidiary filed a petition challenging this certification in court. A hearing on the matter was held on August 30, 2021, and on November 19, 2021, the court denied the petition. See Item 3—Legal Proceedings—Challenge of Certification—Proposed Monterey System Final Environmental Impact Report.

On February 26, 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. On June 28, 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. On December 6, 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. On January 5, 2022, LAFCO's commissioners confirmed the denial. On January 31, 2022, the MPWMD filed an application for reconsideration of LAFCO's confirmation of denial. A hearing on the application has been set for February 28, 2022.

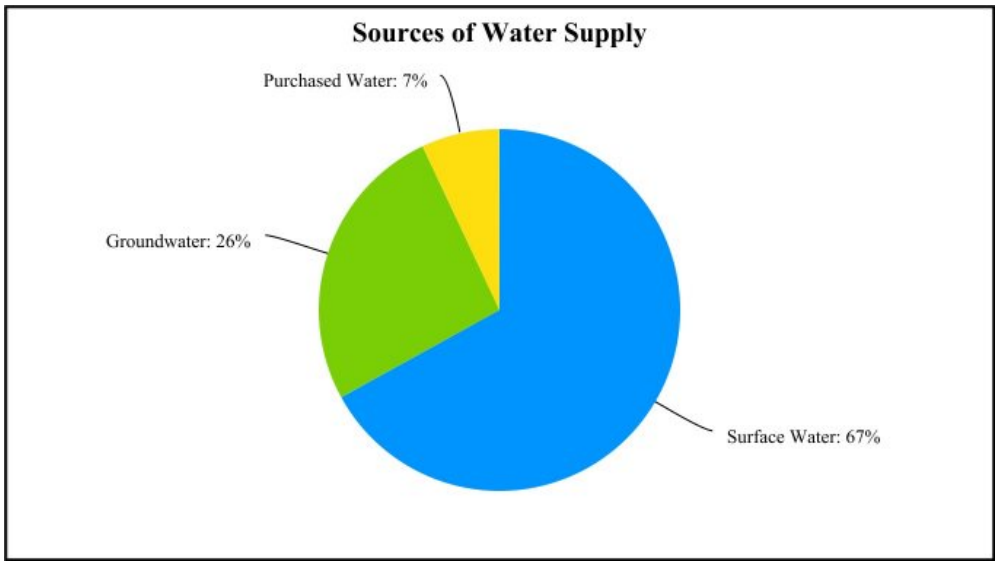
Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of $38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial was originally scheduled for October 2021 but has been continued to June 2022.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Water Supply and Wastewater Services

The Company's Regulated Businesses generally own the physical assets used to store, pump, treat and deliver water to its customers and collect, treat, transport and recycle wastewater. Typically, the Company does not own the water, which is held in public trust and is allocated to the Company through contracts, permits and allocation rights granted by federal and state or multi-state agencies or through the ownership of water rights pursuant to local law. The Company is dependent on defined sources of water supply and obtains its water supply from surface water sources such as reservoirs, lakes, rivers and streams; from groundwater sources, such as wells and aquifers; and water purchased from third-party water suppliers. The level of water treatment the Company applies varies significantly depending upon the quality of the water source and customer stipulations. Surface water sources typically generally require significant treatment, while groundwater sources often require chemical treatment only.

Presented in the chart below are the Company's sources of water supply as of December 31, 2021:



Presented in the table below are the percentages of water supply by source type for the Company's Top Five States for the year ended December 31, 2021:

	Surface Water	Ground Water	Purchased Water
New Jersey	74%	22%	4%
Pennsylvania	91%	7%	2%
Missouri	78%	21%	1%
Illinois	54%	35%	11%
California	—	65%	35%

The Company's ability to meet the existing and future water demands of its customers depends on an adequate water supply. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. The Company employs a variety of measures in an effort to obtain adequate sources of water supply, both in the short-term and over the long-term. The geographic diversity of the Company's service areas may mitigate some of the economic effects on the water supply associated with weather extremes it might encounter in any particular service territory. For example, in any given summer, some areas may experience drier than average weather, which may reduce the amount of source water available, while other areas the Company serves may experience wetter than average weather.

The Company evaluates quality, quantity, growth needs and alternate sources of water supply as well as transmission and distribution capacity to provide water service to its customers. Water supply is seasonal in nature and weather conditions can have a pronounced effect on supply. In order to ensure that the Company has adequate water supply, it uses long-term planning processes and maintains contingency plans to minimize the potential impact on service caused by climate variability and a wide range of weather fluctuations. The Company reviews current climate science and global models related to temperature, precipitation and sea level rise on an ongoing basis. Where actionable forecasts are available, the Company will use this information in its comprehensive planning studies and asset management plans. These studies and plans, which are used by the Company to develop its asset management and system reliability strategies, assess the climate risk and resiliency of the Company's water and wastewater systems over short-, medium- and long-term time horizons, and include evaluations of the availability of water supplies and system capacity against a number of different factors, projections and estimates.

In connection with supply planning for most surface or groundwater sources, the Company employs models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored so that supply capacity deficits may, to the extent possible, be predicted and mitigated through demand management and additional supply development. In California, where the state has been experiencing a multi-year drought, the Company utilizes multiple water supply options including numerous ground water wells in multiple aquifers as well as various long-term purchase water agreements with regional water suppliers to optimize supplies while assuring resiliency during dry years. An example of the Company's use of long-term planning to ensure that it has adequate water supply is its involvement in the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, to be owned by the Company's California subsidiary, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes the California subsidiary's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water (formerly known as the Monterey Regional Water Pollution Control Agency) and the MPWMD. The Water Supply Project is intended, among other things, to fulfill obligations of the California subsidiary to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB"). For more information, see Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions and Note 17—Commitments and Contingencies—Contingencies—Alternative Water Supply in Lieu of Carmel River Diversions, in the Notes to the Consolidated Financial Statements.

Wastewater services involve the collection of wastewater from customers' premises through sewer lines. The wastewater is then transported through a sewer network to a treatment facility, where it is treated to meet required regulatory standards for wastewater before being returned to the environment. The solid waste by-product of the treatment process is disposed of or recycled in accordance with applicable standards and regulations.

Seasonality

Customer demand for the Company's water service is affected by weather and tends to vary with temperature and amount and frequency of rainfall. Customer demand is generally greater during the warmer months, primarily due to increased water usage for irrigation systems and other outdoor water use. As such, the Company typically expects its operating revenues to be the highest in the third quarter of each year. Weather that is hotter and/or drier than average generally increases operating revenues, whereas, weather that is cooler and/or wetter than average generally serves to suppress customer water demand and can reduce water operating revenues. Two of the Company's jurisdictions, California and Illinois, have adopted revenue stability mechanisms which permit the Company to collect state PUC-authorized revenue for a given period which is not tied to the volume of water sold during that period, thereby lessening the impact of weather variability. See Regulated Businesses—Regulation and Rate Making for additional information regarding revenue stability mechanisms.

Market-Based Businesses

The Company's Market-Based Businesses provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, and previously provided home services primarily to residential and smaller commercial customers through its former HOS business, which was sold on December 9, 2021. These businesses are not subject to regulation by state PUCs and the services provided generally do not require significant capital investment. Operating revenues for the Company's Market-Based Businesses were $563 million for 2021, $540 million for 2020 and $539 million for 2019, accounting for 14%, 14% and 15%, respectively, of the Company's total operating revenues for the same periods.

MSG enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations. MSG is the Company's remaining primary market-based business.

The Company also has five contracts with municipal customers to operate and manage water and wastewater facilities and provide other related services through its Contract Services Group ("CSG").

Military Services Group

MSG operates on 17 military installations under 50-year contracts with the U.S. government as part of its Utilities Privatization Program. The scope of these contracts generally includes the operation and maintenance of the installation's water and wastewater systems and a capital program focused on asset replacement and, in certain instances, systems expansion. The replacement of assets assumed when a contract is awarded to MSG is completed either through a discrete set of projects executed in the first five years of the contract or through the long term recapitalization program performed over the life of the contract. Traditionally, both of these programs are funded from the contract fee. At times, new assets are required to support the installation's mission, and the construction of these assets is funded by the U.S. government as separate modifications or amendments to the contract. The capital for these assets historically has not been funded through the Company's debt or equity issuances; rather, the Company has used limited working capital for short-term needs under these contracts. In April 2018, the U.S. Army instituted a requirement that a bidder must offer financing in its proposal for these new capital projects under existing contracts, but the U.S. Army's implementation of this requirement on existing contracts has limited the need for such financing. However, recent U.S. Army and Navy Utilities Privatization solicitations have included requirements for the successful bidder to finance discrete initial capital projects over either a five- or ten-year period after project completion. Three of MSG's current contracts require such capital project financing, which the Company is currently addressing through internal sources of liquidity.

The contract price for six of MSG's contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period, to reflect changes in contract obligations and anticipated market conditions. The remaining 11 contracts with the U.S. government are subject to annual price adjustments under a mechanism called "Economic Price Adjustment." All 17 contracts could be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government, or as a result of default or non-performance by the MSG subsidiary performing the contract. In either event, pursuant to termination provisions applicable to all of these contracts, MSG would be entitled to recover allowable costs that it may have incurred under the contract, plus the contract profit margin on incurred costs. MSG's backlog of revenue associated with its contracts with the U.S. government is approximately $6.2 billion, with an average remaining contract term of 41 years.

Sale of Homeowner Services Group

The Company has provided various warranty protection programs and other home services primarily to residential and smaller commercial customers through its HOS operations. On the Closing Date, the Company sold all of the equity interests in its HOS subsidiaries to an indirect, wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately $1.275 billion. See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Competition

MSG faces competition from a number of service providers, including American States Water Company, Suez North America, and Veolia Environnement S.A.

Environmental, Health and Safety, Water Quality and Other Regulation

The Company's water and wastewater operations, including the services provided by both its Regulated Businesses and Market-Based Businesses, are subject to extensive federal, state and local laws and regulations governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water the Company delivers to its customers, and the manner in which it collects, treats, discharges, recycles and disposes of wastewater. In the United States, these regulations are developed under federal legislation including the Safe Drinking Water Act, the Reduction of Lead in Drinking Water Act and the Clean Water Act, and under a variety of applicable state laws. Environmental, health and safety, and water quality regulations are complex and may vary from state to state in those instances where a state has adopted a standard that is more stringent than the federal standard. For example, while the EPA has issued a non-enforceable Health Advisory for the combined level of two perfluorinated compounds (perfluorooctanoic acid, or PFOA, and perfluorooctane sulfonic acid, or PFOS), the New Jersey Department of Environmental Protection was the first state agency to establish a standard for perfluorononanoic acid, or PFNA, in 2018 and has since established maximum containment levels for PFOA and PFOS, with implementation occurring in January 2021. The Company is also subject to various federal, state, and local laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. PUCs also set conditions and standards for the water and wastewater services the Company delivers.

The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources, recognizing that drinking water standards have generally, over time, increased in number and become increasingly more stringent. As newer or stricter standards are introduced, the Company's capital and operating costs needed to comply with them will likely increase. The Company incurs substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which its operations are subject and the Company invests in technology solutions for enhanced detection and monitoring of water quality issues. The Company estimates that it will make capital expenditures of approximately $850 million over the next five years, including $180 million in 2022, for environmental control facilities, which the Company defines for this purpose as any project (or portion thereof) that involves the preservation of air, water or land. The Company believes that its operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

The Company's operations also involve the use, storage and disposal of hazardous substances and wastes. For example, the Company's water and wastewater treatment facilities store and use chlorine and other chemicals that generate wastes that require proper handling and disposal under applicable environmental requirements. The Company also could incur remedial costs in connection with any contamination relating to its operations or facilities or its off-site disposal of wastes. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as current and former owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although the Company is not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs to the Company. The Company's facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder.

Safe Drinking Water Act

The Safe Drinking Water Act and related regulations establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous, naturally occurring and manufactured chemical and microbial contaminants and radionuclides allowable in drinking water, and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems that may be used for removing those contaminants, and other requirements. To date, the EPA has set standards for over 90 contaminants and water quality indicators for drinking water, and there is a process in place to make a regulatory determination on at least five additional compounds every five years.

To help formulate the basis for future regulations, the EPA has the authority to require monitoring for additional, unregulated contaminants under the Unregulated Contaminant Monitoring Rule (the "Monitoring Rule"). The Company's facilities have participated in the data gathering effort for the Monitoring Rule in previous rounds, which occurs every five years, including the fourth round that concluded at the end of 2020. There are millions of other chemical compounds that are not regulated, many of which lack a testing methodology, occurrence data, health effects information and/or cost-effective treatment options. The process of developing new drinking water standards is long and complex, but the Company actively participates with the EPA and other water industry groups by sharing research and water quality operational knowledge. See Research and Development—Contaminants of Emerging Concern for additional information.

To effect the removal or inactivation of microbial contaminants, the EPA has established various rules to improve the disinfection and filtration of drinking water and to reduce consumers' exposure to disinfectants and/or the by-products of their use in the disinfection process. Examples of these rules are the Long-Term 2 Enhanced Surface Water Treatment Rule (the "Long-Term 2 Rule"), the Stage 2 Disinfectants and Disinfection Byproduct Rule, the Ground Water Rule, which is applicable to systems providing water from underground sources and the revised Total Coliform Rule, which implemented a "find and fix" process where exceeding bacterial trigger levels requires an assessment to correct any sanitary defects. The Company is within the EPA's time frame for compliance with all of these standards, which includes sample collection, data analysis, and, in some instances engineering planning and implementation of treatment enhancements. Recent monitoring as required by the Long-Term 2 Rule has indicated that up to 30 of the Company's surface water systems have recently completed or need to implement additional disinfection protection mechanisms against Cryptosporidium. In many cases, this will involve installing ultraviolet light disinfection systems, and although several plants have already completed assessments and upgrades, an estimated $100 million to $150 million of investment will still be required to upgrade the remaining facilities for Cryptosporidium disinfection. Further, the EPA is actively considering regulations for a number of contaminants, including strontium, hexavalent chromium, fluoride, nitrosamines, some pharmaceuticals and certain volatile organic compounds. The Company does not anticipate that any such regulations, if enacted, will require implementation in 2022.

The Company conducted over 10 million water quality and turbidity tests in 2021 at its laboratory facilities and plant operations, including continuous online instrumentations such as monitoring turbidity levels, disinfectant residuals and adjustments to chemical treatment based on changes in incoming water. The Company participates in the Partnership for Safe Water, the EPA's voluntary program to meet more stringent goals for reducing microbial contaminants. With 67 of the Company's surface water treatment plants receiving the EPA program's prestigious "Director" award, which recognizes utilities that (i) have completed a comprehensive self-assessment report, (ii) created an action plan for continuous improvement, and (iii) produced high-quality drinking water, the Company accounts for approximately one-third of the plants receiving such awards nationwide. In addition, 66 of the Company's surface water treatment plants have received the "Five-Year Phase III" award, 62 plants have received the "Ten-Year Phase III" award, 57 plants have received the "Fifteen-Year Phase III" award, and 39 plants have received the "Twenty-Year Phase III" award; these awards recognize plants that have met the Director award status for five, 10, 15 and 20 years, respectively. Further, nine of the Company's surface water plants have received the "Presidents" award, which recognizes treatment plants that achieve the Partnership's rigorous individual filter effluent turbidity standards and have maintained this status for at least five years.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, the Company expects current cost requirements under the Safe Drinking Water Act and other similar laws to be recoverable through the regulatory process and therefore compliance costs are not expected to have a material impact on its operations or financial condition. In addition, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from these pending or future requirements.

Lead and Copper Rule and Reduction of Lead in Drinking Water Act

In 1991, the EPA published the Lead and Copper Rule ("LCR") to control lead and copper in drinking water and, since that time, has issued minor revisions in 2000, 2004 and 2007, enhancing monitoring, reporting and public education requirements. In 2011, Congress enacted the Reduction of Lead in Drinking Water Act regarding the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. While these advances have made an impact in reducing lead exposure in drinking water, legacy lead plumbing materials, primarily in building plumbing, still remain in many communities. The failure of certain water systems in the United States to comply with the requirements of the LCR has received recent media attention and scrutiny, and in certain cases, has led to a number of investigations and the imposition of significant penalties and sanctions against the operators of those systems and others. As part of its ongoing water main replacement and service line renewal projects, the Company has started to replace lead service lines ("LSLs") in accordance with current scientific guidance. Also, the Company utilizes appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements. The EPA finalized revisions to the LCR (the "Revised LCR") on January 15, 2021 that are designed to provide more effective protection of public health by reducing exposure to lead and copper in drinking water. The Company is executing an implementation strategy to comply with the new requirements, which were originally mandated by January 2024 but have been delayed until at least late 2024 pending EPA additional review. Capital expenditures and operating costs associated with the Revised LCR will be determined once the EPA completes its additional review, but as previously noted, costs associated with compliance with federal water quality regulations have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates.

The Company currently estimates that less than 5% of the service lines within its regulated service territories contain lead on either the Company or customer portion of the service line. The Company is replacing LSLs as part of its ongoing water main replacement and service line renewal projects. The Company's goal is to work with the communities it currently serves to replace a significant majority of presently known LSLs in most of its service areas by the end of 2030, at an estimated cost ranging from $600 million to $1.2 billion. The Company believes this will be attainable for most of its service areas where public policy is supportive of this goal. The IIJA was signed into law in November 2021 and provides for up to $15 billion for lead service line replacement through drinking water state revolving funds. The Company is awaiting further guidance on eligibility, the application process and the distribution of these funds. With regard to future acquisitions, the Company will work with those communities as part of the acquisition process to set LSL removal goals appropriate for those systems. The prioritization of LSL removal is dependent on several factors, including the Company's planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCR compliance monitoring results, and cooperation with its customers with respect to replacing the customer-owned portion of the LSL as necessary. In certain cases, these and other factors may result in a shorter or longer time frame for replacement. Because replacing the external LSL in its entirety is advised by several water industry organizations including the U.S. National Drinking Water Advisory Council, the Lead Service Line Replacement Collaborative, and the American Water Works Association, the Company's preferred approach is to replace the entire external LSL if lead is found on either the Company or customer portion of the service line; full LSL replacement is also consistent with the Revised LCR. The Lead Service Line Replacement Collaborative is a diverse group of public health, water utility, environmental, labor, consumer and housing organizations from across the country working together to encourage communities to accelerate the full replacement of LSLs through collaborative efforts at the local level.

Clean Water Act

The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to the Company's wastewater collection systems, its operations require discharge permits under the National Pollutant Discharge Elimination System ("NPDES") permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA and implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of fines and penalties, and persistent non-compliance could lead to significant fines and penalties and other compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on the Company's operations. From time to time, discharge violations occur at the Company's facilities, some of which result in fines. The Company does not expect any such violations or fines to have a material impact on its results of operations or financial condition.

Research and Development

The Company's Research and Development Program

The Company maintains an industry-leading research and development ("R&D") program that is designed to enhance its services, support its compliance activities, improve service quality and operational effectiveness, and provide environmental leadership. For more than three decades from its inception, American Water's R&D program has evolved into an industry-leading effort and has achieved numerous advancements in the science of drinking water, wastewater, and desalination. Through laboratory and industry resources and the team's expertise, efforts are focused on contaminants of emerging concern, including but not limited to COVID-19, PFAS, Legionella, cyanotoxin-forming algal blooms, a variety of pathogens (for example, Cryptosporidium, Giardia, enteric viruses, and various bacteria), microbial indicators and disinfection byproducts. The Company's R&D personnel are located at the Company's corporate headquarters and at two laboratory testing facilities in New Jersey and Illinois, the latter housing its quality control and testing laboratory, which supports the Company's R&D activities through testing and analysis.

The Company continues to leverage its expertise and collaborates with the EPA and state agencies to help establish effective environmental, health and safety, and water quality standards and regulations. This relationship includes the sharing of the Company's research, such as its treatment and distribution system optimization research and its national water quality monitoring data. The Company's engagement with the EPA provides it with early insight into emerging regulatory issues and initiatives, thereby allowing the Company to anticipate and to accommodate its future compliance requirements. The Company also frequently engages with the Centers for Disease Control and Prevention, other state environmental agencies, and national and international water research foundations. The Company believes that continued R&D activities are critical for providing safe, reliable and affordable services, as well as maintaining its leadership position in the industry, which provides the Company with a competitive advantage as it seeks business and operational growth.

Contaminants of Emerging Concern

Contaminants of emerging concern include numerous chemicals such as PFAS, pharmaceuticals, personal care products, pesticides, herbicides, endocrine disrupting compounds and industrial chemicals, as well as certain naturally occurring microbes, such as bacteria, viruses and parasites, which have been detected in drinking water supplies, for which the risk to the public's health is not fully understood and/or has not been assessed. Technological advances have only recently made it possible to detect many of these contaminants at trace levels. The ability to detect contaminants, even at trace levels, has invited discussion about these contaminants among regulators and government agencies, which in turn shapes the public's perception of drinking water quality.

The Chemicals Abstract Service Registry contains over 192 million registered chemicals, with an estimated 1,400 species of disease-causing microbes that can affect humans. The Company is continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to its water supply, to act on emerging regulations and new health advisories, and to evaluate the benefits of alternative or advanced treatment technologies. The Company utilizes water quality testing equipment and implements new and emerging technologies to help detect potential water supply contamination issues. Examples of the Company's efforts include:

- monitoring impacts of the COVID-19 pandemic on environmental virus loads and removal efforts through wastewater systems;
- characterizing factors that contribute to the formation of potentially carcinogenic disinfection by-products to define best practices for their mitigation;
- using its research findings to communicate information to its customers regarding potential actions to limit occurrences of Legionella in their buildings; in this regard, the Centers for Disease Control and Prevention statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with customer-owned plumbing systems in large buildings;
- defining a framework to support management or possible future regulation of opportunistic pathogens;
- developing expanded monitoring methods for PFAS compounds and piloting treatment techniques;
- leading a PFAS risk communication strategy for the water sector;
- using innovative technologies to detect and manage algal blooms to help prevent taste and odor events and cyanotoxins before they get to the water treatment plant;
- monitoring of taste and odor issues that impact customer satisfaction using expanded analytical methods to detect compounds, and evaluating and recommending treatment practices;
- implementing water source assessment tools, including sensors and data analytics, to evaluate and track chemical storage and aid in the identification of source water contamination events;
- developing methodology and advanced measurement techniques for contaminants of emerging concern to investigate transport, occurrence and treatment; and
- implementing activated carbon, biofiltration and ion exchange treatment to seek to control contaminants of emerging concern.

Service Company and Security

American Water Works Service Company, Inc. ("Service Company") is a wholly owned subsidiary of the Company that provides support and operational services to the Company and its affiliates. These services are predominantly provided to the Company's Regulated Businesses under contracts that have been approved by PUCs, where necessary, and are also provided to its Market-Based Businesses as requested or may otherwise be necessary. Services provided by Service Company may include accounting and finance, administration, business development, communications, compliance, education and training, engineering, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, R&D, rates and regulatory support, security, risk management and insurance, treasury, and water quality. Service Company also provides customer support to the Company's Regulated Businesses, which includes call handling, billing, a major accounts program and other related services. Services are provided by Service Company at cost, enabling the Company's operating subsidiaries to fulfill their responsibilities in a cost-effective manner, while providing them access to in-depth, functional expertise.

The Company's security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout its operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company's physical assets, business systems and operational technologies. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against unauthorized access to the Company's information systems. These controls are aimed at (i) assuring the continuity of business processes that are dependent upon automation, (ii) maintaining the integrity of the Company's data, (iii) supporting regulatory and legislative compliance requirements, and (iv) maintaining safe and reliable service to the Company's customers. The Company engages in partnerships with U.S. federal, state and local law enforcement agencies to coordinate and improve the security of its water delivery systems and to safeguard its water supply and operations.

Environmental, Social Responsibility and Governance

The Company considers environmental, social responsibility and governance ("ESG") principles fundamental to its corporate strategy and values. Integration of these principles into the Company's daily operations emphasizes its belief that "how" a company operates is just as important as "what" a company does. The Company's vision and values drive its strategies, which are centered on five central themes:

- Safety—The safety of the Company's employees and customers is the number one focus for American Water.
- Customers—The Company's customers are at the center of everything it does, helping the Company to shape its strategic priorities.
- People—Maintaining an environment that is open, transparent, diverse and inclusive, and where the Company's people feel valued, included and accountable, is critical to the Company's ability to serve its customers every day.
- Operational Excellence—The Company strives to find better and more efficient ways to do business, and to provide safe, clean and affordable water services for its customers.
- Growth—The Company believes that through growth, it can invest in creating more jobs, better training and benefits, and improved infrastructure in its communities. The Company's growth also creates greater efficiencies of scale and drives improved customer affordability, which benefits all of its stakeholders, including shareholders.

In 2021, the Company issued its sixth biennial Sustainability Report, covering its sustainability performance for calendar years 2020 and 2019. This report can be accessed on the Company's website. In addition, the Company issued its first annual Inclusion & Diversity Report, which shares the inclusion and diversity strategies, practices, policies, and programs from across the business. The Company's values and actions have achieved prestigious recognition by many leading firms devoted to recognizing companies that demonstrate ESG leadership. Most recently, the Company received the highest S&P Global Ratings ESG Evaluation score given to a U.S. company and the third highest globally, and was ranked 19th within Barron's list of the 100 Most Sustainable Companies. Additionally, the Company was included in the Bloomberg Gender Equality Index for the fourth consecutive year, and the Company recently achieved the ranking of sixth on the Corporate Knights' Global 100 Most Sustainable Corporations in the World index.

The following goals and actions highlight the Company's commitment to embedding ESG principles throughout its business:

Environmental and Sustainability

- Energy and Emissions for the Company's Regulated Businesses
  - The Company clarified its existing goal to reduce by more than 40% its greenhouse gas ("GHG") emissions by 2025, from a 2007 baseline, as an absolute measurement of its scope 1 (direct) emissions, and scope 2 (indirect, derived from the Company's purchases of energy) emissions.
  - The Company lowered its GHG emissions through December 31, 2020 by approximately 36% since its base year of 2007. GHG emissions data for the full calendar year 2021 is expected to be released in April 2022.
- Water Efficiency and Resiliency for the Company's Regulated Businesses
  - The Company established a water efficiency goal to meet customer needs while saving 15% in water volume delivered per customer by 2035, compared to a 2014 and 2015 averaged baseline. The Company has lowered its water delivery per customer over the last three years. The Company reduced its water volume delivered per customer compared to a 2015 baseline by 5.0%, 5.3% and 4.3% as of December 31, 2021, 2020, and 2019, respectively.

- The Company has further utilized a uniform water system resiliency metric, the Utility Resilience Index ("URI"), to track enhancements in the Company's ability to prepare for, respond to, remediate and effectively manage incidents impacting its operations. The Company plans to increase its URI weighted average by 10% by 2030 from a 2020 baseline. The URI is a part of the American Water Works Association's J-100 voluntary consensus risk and resilience standard and focuses on a utility's ability to manage incidents affecting its customers, employees and assets, and return to normal operations as quickly as possible.
- Approximately 10-12% of the Company's total projected capital investment over the next five years is dedicated to resiliency, accounting for approximately $1.2 billion to $1.4 billion allocated to renewing and improving assets of the Regulated Businesses.

- Policy Leadership
  - The Company employs a team of R&D scientists dedicated to partnering with water research organizations on water quality and technology-based source water monitoring.
  - The Company collaborates and partners with federal and state agencies to support effective environmental, health and safety and water quality standards and regulations.

Social Responsibility

- Customers
  - For 2021, the Company achieved an aggregate customer satisfaction rating in the top quartile among the Company's industry peer group.
  - To better reflect the customers that the Company serves, the Company increased spend with diverse suppliers and small businesses in 2021 by more than 10% year over year.
- Employees
  - During 2021, over 109,000 hours of safety training were completed by the Company's employees.
  - The Company has made significant progress toward its zero injuries goal, reducing workplace injuries by 66% since 2015. Through year end 2021, the Company has further reduced its OSHA recordable injury rate ("ORIR") to 0.97, the lowest in the Company's recorded history, which is approximately two times better than the water industry average.
  - During 2021, approximately 86% of the Company's job requisitions had a diverse candidate pool, with approximately 58% of transfers or promotions filled by diverse individuals.
  - In 2021, the Company named Cheryl Norton as its first female Executive Vice President and Chief Operating Officer.
- Communities
  - In December 2021, the Company authorized the contribution of $45 million to the American Water Charitable Foundation ("AWCF"), a 501(c)(3) private foundation established by American Water in 2010.
  - More than $941 thousand was donated in 2021 by the Company's employees and the AWCF through workplace giving campaigns including the United Way, Water For People and other volunteering giving campaigns that supported more than 1,500 public charities nationwide.

Governance

- Board and Committees
  - The Board of Directors and each of its standing committees are led by an independent, non-executive chairperson.
  - The Board of Directors met 14 times in 2021.
  - The Board of Directors reflects gender, racial and experiential diversity. As of December 31, 2021, 54.5% of the Company's directors voluntarily self-identified as female or racially diverse.
  - The Company's average director tenure was approximately 7.2 years as of December 31, 2021.

- Demonstrated and Representative Expertise
  - The members of the Company's Board of Directors have demonstrated expertise, including, among others, experience in utility and finance operations, customer service, cybersecurity, the military, financial services and capital markets, service as a public company CEO, CFO and/or board member, and management of global operations.
- Transparency
  - The Company discloses on its website its Political Contributions Policy and, on an annual basis, information related to its political contributions and lobbying expenditures.
  - The Company makes available on its website its ESG goals and achievements.

Human Capital Resources

Overview

The Company's people are a critical part of its business, and the Company's investment in its people begins with recruitment of qualified and diverse talent. The Company believes that representing the communities in which it serves plays a key role in its ability to serve its customers and improves its talent. The Company promotes an inclusive culture where its employees are given the opportunity to develop to their fullest potential and understand that they directly contribute to the Company's ability to operate, grow and serve its customers. The Company believes that investing in the safety, health and well-being of its employees is a key component of its people and culture goals, and that these investments in its people allow employees to generate great ideas, provide quality customer service and make a difference in the lives of the Company's customers.

Employee Health and Safety

A longstanding value and strategy of the Company is safety. In this regard, the Company continues to focus on the safety of its employees and contractors so that they may return home from work in the same, or better, condition than when they arrived. The Company strives for all employees to feel emotionally safe, live a healthy lifestyle and be physically safe at work and at home. The Company assesses occupational health and safety to measure performance across the entire organization, with the ultimate goal of achieving zero incidents, injuries and fatalities for the Company's employees and contractors.

To uphold the Company's commitment to safety, the Company's employees completed over 100,000 hours of employee safety training during 2021. Additionally, through frequent labor-management meetings, the Company encourages open exchanges to explore new ways to further enhance safety on the job. All employees are empowered to demonstrate safety leadership by taking the time they need to complete a task safely and to use "Stop Work Authority" — the power to stop working immediately whenever they believe a task is unsafe — to personally mitigate the hazard or issue or collaborate with management to create a safe situation. The Company believes that this Stop Work Authority is so important that it is stated on the back of every employee's identification badge.

For 2021, the Company had its lowest ORIR injury rate in its recorded history, achieving a 2% reduction compared to 2020, even though labor hours increased by 5%. Also, the number of injuries for purposes of the Company's Days Away Restricted or Transferred ("DART") rate decreased by 14% compared to 2020. For 2021, the Company's ORIR was 0.97 (64 injuries) and its DART rate was 0.54 (36 injuries), compared to an ORIR of 0.99 (63 injuries) and a DART rate of 0.63 in 2020.

In 2021, American Water teams led by promoting safety leading indicator activities, including pre-job safety briefings and near miss reporting, and by achieving internal Certified Safe Worker designations. Near miss reports, where employees report potential hazards or incidents in a safe and secure manner, increased by 27% in 2021 over 2020, and 99% of near miss incident corrective actions were completed within 30 days, meeting the Company's 2021 goal. The Company utilizes near miss reporting and timely corrective actions as key measurements of employee engagement and safety performance.

Understanding that some employees may have delayed seeking preventative or other medical care due to the COVID-19 pandemic, a 2021 priority for the Company was to encourage employees to increase their utilization of preventative exams. Through the Company's marketing efforts and targeted incentives in its myWellness program, the Company sought to encourage employees to take preventative health actions. The number of total preventative care exams completed by the Company's employees increased by 15% during 2021 compared to 2020.

Supporting Employees During the COVID-19 Pandemic

American Water remains committed to the health, well-being and safety of its employees and families, as well as its customers and communities. The Company's Emergency Crisis Response Team ("ECRT") continued to deploy a COVID-19 contact tracing program to reduce the risk of COVID-19 transmission at work. The ECRT consistently monitors current events and the latest public health guidance and adjusts workplace safety measures and the Company's COVID-19 guidance accordingly. During the pandemic, American Water provided temporary medical and emotional health benefits, including paid time off and emergency leave. The Company also supported employees and their families during the uncertainty of the pandemic by providing additional resources, such as enhanced well-being support, workplace flexibility, back-up dependent care, caretaker database discounts and academic support. American Water did not lay off any employees due to the pandemic.

As an essential business that must continue to provide water and wastewater services during the COVID-19 pandemic, the Company continued to focus on the care and safety of its employees, contractors, vendors and others who work at or visit the Company's worksites. In 2021, as COVID-19 vaccines became more readily available, the Company began planning for the reintegration of those who had been working remotely back to its work facilities, and also began to implement safety protocols based on current COVID-19 health guidance for the return of employees to perform work in customers' homes. Furthermore, the Company has continued to support employee health and safety by providing safety training and resources, continuing to enforce safety protocols such as maintaining social distancing, requiring the use of face coverings at work, and encouraging good hygiene and frequent handwashing and cleaning of work areas. The Company continues to receive input from its employees via pulse surveys throughout the COVID-19 pandemic, which has also helped to shape the Company's pandemic-related responses and a flexible return to hybrid work where possible. Throughout the fall of 2021, managers and employees who had been working remotely during the pandemic began to return to the Company's offices and facilities with increasing frequency, in preparation for a three-day in-person, two-day remote work week, where feasible.

Inclusion, Diversity and Equity

In 2021, the Company continued to evolve its inclusion and diversity strategic framework to include equity. The Company defines equity as fair treatment, access, opportunity and advancement for all people, while also eliminating barriers that may prevent some groups from full participation. The Company promotes an environment where inclusion, diversity and equity are embedded in its culture. At all levels, the Company strives to understand, respect, value and provide equal opportunity to each employee. The Company seeks to foster an environment where employees' differences are embraced and celebrated. The Company holds as an essential concept the right of employees to proudly share their ideas and unique perspectives in an environment built on mutual respect, equity and inclusion. The Company is committed to diversity among its workforce, executive and senior management leadership teams, by reflecting the diversity of the communities in which the Company serves. The Company expects all of its leaders to lead with inclusion, diversity and equity.

During 2021, the Company published its first Inclusion & Diversity Report. The report shares the Company's diversity strategies, practices, policies and programs from across the business and includes more than 100 data points related to building a culture of inclusion. The following graphic highlights the Company's principal employee inclusion, diversity and equity metrics for 2021 based on its employee headcount as of January 1, 2022, and which are based on responses from employees who voluntarily self-reported this information to the Company.



During 2021, 85.6% of the Company's hiring candidate pools were diverse. For this purpose, diversity refers to gender, race, ethnicity, disability and/or veteran/military status, based on voluntary, self-identified employee information.

The Company maintains active memberships with groups such as Hiring our Heroes, Military Spouse Employment Partnership, American Corporate Partners, CEO Action for Diversity and Inclusion, Disability:IN, Paradigm for Parity, and Out and Equal, to further enhance its ability to recruit and retain diverse employees. Among this year's recognitions, the Company was designated as a 2021 Military Friendly® Top 10 Gold Employer and recognized by Military Times for its industry-leading efforts on hiring and supporting U.S. military veterans. The Company was also a top scorer in the 2021 Disability Equality Index for the third consecutive year and was recognized by U.S. Veterans Magazine as a veteran-friendly company and as an organization with a veteran-friendly supplier diversity program.

In keeping with the Company's values, the Company does not tolerate discrimination, harassment or retaliation by or toward any employee, vendor, customer or other person in its workplace. All employees are required to complete anti-harassment, workplace respect and dignity, unconscious bias and inclusion and diversity training. In addition, annual Code of Ethics training is provided to all employees, which includes education on using the Company's anonymous hotline for reporting potential Code of Ethics violations.

In 2021, the Company launched four employee business resource groups ("EBRGs"), which represent diverse employee demographics (Women, African American/Black, LGBTQ+ and Disabilities) throughout the Company. EBRGs offer opportunities for employees to share ideas and best practices, and to create measurable and long-lasting positive impacts on the Company's culture. The Company's Inclusion and Diversity Advisory Council oversees the formation, goals and actions of the EBRGs to support the Company's inclusion diversity and equity priorities.

To further its commitment to inclusion, diversity and equity, and in response to feedback from employees about work-life balance, in 2021, the Company announced a new Inclusion Holiday Swap benefit, to allow the opportunity for all employees to swap a Company holiday with another day of their choosing that more closely reflects their personal values, beliefs or culture. In addition, the Company is evaluating the implementation of workforce diversity goals in certain of its compensation programs.

Total Rewards

Employees are considered the Company's greatest assets and the Company views their overall well-being to be as important as their physical safety. American Water's health and well-being programs aim for employees to go home in the same or better condition than when they came to work. Health and well-being programs are approached holistically by offering the following benefits, among others: medical, prescription, dental, vision, disability and life insurance coverage, as well as a health and wellness program and a menu of additional voluntary benefits. The Company's Total Rewards programs are designed to reflect many aspects of employee health and well-being, cultivate an inclusive workforce and motivate, attract and retain talent to seek to achieve the Company's strategic business priorities.

As part of Total Rewards, the Company provides a comprehensive compensation and benefit program designed to recognize the vital roles the Company's employees play. Further, all of the Company's employees, including those who are union-represented,

participate in the Company's Annual Performance Plan, to promote alignment in bonus compensation to the Company's short-term performance goals. Moreover, all employees who average 30 hours or more per week receive full-time benefits. Approximately 90% of all benefit eligible employees are enrolled in the Company's healthcare benefits. Full-time employees pay approximately 16% of the total cost of medical, dental and vision coverage. The Company offers its non-union employees who average 20 to 30 hours per week medical, dental and vision coverage at 50% of the total cost. Additional medical benefits include coverage for applied behavior analysis, autism treatment, transgender services and hearing aids, as well as a fertility assistance benefit to assist employees in building a family. The Company also offers additional employment benefits, including holiday, vacation and sick time, which are at levels generally greater than or equal to those offered by other companies in the utility industry. For example, the Company offers its employees up to two weeks of paid leave in connection with the birth, adoption or foster placement of a child, or to take care of a sick family member.

The Company believes that good emotional and mental health is fundamental, and offers a behavioral health benefit to assist employees and their families to maintain their well-being. Additionally, the Company offers an employee assistance program (EAP) that provides all employees and their eligible dependents with access to a variety of support resources free of charge. The EAP provides confidential support through its Work-Life Specialists to help individuals who are experiencing a variety of challenges, including financial, legal, family and emotional needs. The EAP provides guidance, resources and expert referrals based on an individual's needs. In addition, the Company provides all employees and their families with access to an interactive online wellness program that supports and encourages a healthy lifestyle both at work and at home. In 2021, the Company enhanced its internal myWellness website to include additional tools and activities for employees, including customized programs and action cards tailored to an individual's self-identified health needs.

Talent Development

The Company provides learning opportunities and work experiences to equip its employees with the tools, skills, and competencies they need to operate safely and effectively and to grow professionally. To this end, the Company has established an Employee Experience and Talent Development team to help develop and deploy programs that are designed to attract, motivate, develop and retain talented employees, and foster a learning culture. The Company requires every employee, including its union-represented employees, to complete a minimum of 25 hours of training each year (an increase in the 20-hour requirement for 2020). Approximately 98% of active full-time employees hired before October 1, 2021 met this requirement for 2021, with over 331,000 hours of total training completed during the year, including approximately 109,000 hours of safety training. In addition to required role-based training, managers assist employees to identify professional development opportunities to help them reach their full potential and grow their careers. Additionally, in 2021, approximately 58% of the Company's internal employee transfers and promotions were diverse (defined as female, minority, disability, military, military spouse, and LGBTQ+ status, based on voluntary employee self-identification), which reflects the Company's commitment to employee development and career growth as well as the Company's focus on diversity, inclusion and equity, and a desire for its employees to reflect the communities in which it operates.

Developing talent and ensuring a pipeline to executive leadership is a critical priority for the Company. During 2021, the Company engaged in succession planning activities for the Company's critical positions and executive leaders. These succession plans aid in providing continued leadership for the growth and future of the Company's business, while also seeking to promote diversity, retention and development. In addition to succession of executive leadership roles, in 2022, the Company plans to focus on talent reviews, which will include identification of critical skill and competency areas, a focus on diverse emerging talent, and a discussion of strengths, gaps, and development plans. Talent reviews will be conducted for a select group of employees, including employees who are being assessed for senior leadership or other critical roles.

Employee Experience

The Company's employee value proposition ("EVP") focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer. The Company continually seeks to shape and refine its employee experience, and therefore its EVP, by offering an inclusive employee culture, employee development opportunities and competitive compensation and benefits. In developing its current EVP, the Company identified components that it believes are important to its employees and then solicited and received feedback from over 400 Company employees on those components to understand better the aspects that they value from their employer. From this employee outreach, and as a part of its EVP, the Company developed weCare, which is comprised of the following five components: deeper connections, personal growth, shared purpose, flexibility and well-being.

Workforce Data

As of January 1, 2022, the Company had approximately 6,400 employees. For 2021, the Company's employee turnover rate, which the Company defines as the ratio of the number of separated employees to the 12-month average headcount during 2021, was 13.1%, up from 7.4% in 2020. American Water seeks to reduce employee turnover by assessing its EVP and through its efforts to foster the Company's employee experience.

As of January 1, 2022, approximately 47% of the Company's workforce was represented by unions, which include 73 collective bargaining agreements with 14 different unions. Additionally, in 2022, the Company has begun to negotiate two new collective bargaining agreements, which would cover approximately 180 employees. During 2022, 21 of the Company's collective bargaining agreements are set to expire in accordance with their terms and the Company expects to be able to negotiate these agreements during the year. The Company collaborates with union leadership on topics such as safety, customer, technology and employee benefits in forums such as the Joint Healthcare Committee, National Labor Management Committee and the annual Labor Management Conference.

Board Oversight

The Executive Development and Compensation Committee ("ED&CC") of the Board of Directors establishes and reviews the Company's overall compensation philosophy and oversees the compensation and benefits plans and programs for its executive officers. The ED&CC oversees the process of planning for executive officer succession. It also provides oversight of the Company's inclusion, diversity and equity programs and initiatives. Further, the ED&CC is responsible for reviewing and assessing, at least annually, the Company's culture and related culture engagement, its organizational and leadership development plans and programs, and its programs designed to identify, attract and retain high-potential employees.

Information About Our Executive Officers

Presented in the table below are the name, age, offices held and business experience for each of the Company's executive officers, as of February 16, 2022:

Name	Age	Office and Experience
M. Susan Hardwick	59	**President, Chief Executive Officer and Chief Financial Officer.** Ms. Hardwick joined the Company in June 2019 as its Executive Vice President—Finance and has served as its Executive Vice President and Chief Financial Officer since July 2019. From December 7, 2021 until January 31, 2022, Ms. Hardwick also served as Interim Chief Executive Officer, and, on February 2, 2022, was elected as President and Chief Executive Officer. Ms. Hardwick previously served as the Executive Vice President and Chief Financial Officer of Vectren Corporation, which was sold to CenterPoint Energy, Inc., an electric and natural gas utility, on February 1, 2019. Ms. Hardwick joined Vectren Corporation in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co. Ms. Hardwick is a Certified Public Accountant. Since September 2020, Ms. Hardwick has served on the Board of Directors of New Jersey Resources Corporation, a diversified energy services company, where she is currently serving a three-year term expiring in 2024, and since January 1, 2021, she has served as a member of its Audit Committee.
Maureen Duffy	52	**Senior Vice President, Communications and External Affairs.** Ms. Duffy has served as Senior Vice President, Communications and External Affairs since January 2020 and has been an executive officer of the Company since June 2020. Prior to that, Ms. Duffy served as Vice President, Corporate Communications and Federal Affairs from May 2017 to December 2019 and Vice President, Corporate Communications and External Affairs from September 2011 to May 2017. From July 2006 to September 2011, Ms. Duffy held various positions of increasing responsibility in the Company's internal and external corporate communications function. From November 1999 to July 2006, she held various positions with the Company's New Jersey subsidiary, including Government Affairs/Media Specialist, Communications Manager and Director of Corporate Communications. Prior to joining American Water, Ms. Duffy reported and produced news for WNJN/WNET-TV.
Melanie M. Kennedy	48	**Executive Vice President, Chief Human Resources Officer.** Ms. Kennedy has served as the Company's Executive Vice President, Chief Human Resources Officer since December 9, 2021, and as Senior Vice President, Chief Human Resources Officer from December 2020 to December 2021. Prior to that, she served as the Company's Senior Vice President, Human Resources from March 2017 to December 2020. From August 2014 through February 2017, Ms. Kennedy served as the Company's Vice President, Human Resources, and from August 2012 to August 2014, she served as Director, Human Resources in the Company's Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.

Name	Age	Office and Experience
James S. Merante	47	**Vice President and Treasurer**. Mr. Merante has served as the Company's Vice President and Treasurer since February 2019. Prior to that, Mr. Merante was Vice President, Internal Audit from February 2018 to February 2019, and served as Divisional Chief Financial Officer for the Company's Mid-Atlantic Division from July 2014 until February 2018. Mr. Merante is a Certified Public Accountant.
Adam Noble	56	**Chief Technology and Innovation Officer.** Mr. Noble has over 30 years of collective experience in the information technology sector. Mr. Noble joined the Company in August 2020 as its Chief Technology and Innovation Officer. Prior to joining the Company, Mr. Noble served as Senior Vice President and Chief Information Officer of Veritiv Corporation, a North American business-to-business distributor of packaging and facility solutions, since June 2019. Previously, Mr. Noble served as Senior Vice President and Global Chief Information Officer at GAF Materials Corporation, a global manufacturing company, from May 2010 to March 2019, and as its Vice President and Chief Information Officer from May 2006 to April 2010.
Cheryl Norton	57	**Executive Vice President and Chief Operating Officer.** Ms. Norton has over 30 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management and research. She has been serving as the Company's Executive Vice President and Chief Operating Officer since March 1, 2021 and served as its Senior Vice President, Chief Environmental Officer from March 2020 to March 2021. She was also the Company's Senior Vice President, Eastern Division and President of its New Jersey subsidiary from March 2019 to March 2021. Prior to that, Ms. Norton served as President of the Company's Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.
Melissa K. Wikle	56	**Chief Accounting Officer.** Ms. Wikle joined the Company in July 2016 as its Vice President and Controller and assumed the duties of the Company's principal accounting officer in August 2016. She has served as Chief Accounting Officer since December 9, 2021. Prior to joining the Company, Ms. Wikle served as Corporate Controller and Chief Accounting Officer of Columbus McKinnon Corporation, a publicly traded worldwide designer, manufacturer and marketer of material handling products, systems and services, since April 2011. Ms. Wikle is a Certified Public Accountant.

Each executive officer is elected annually by the Board of Directors and serves until his or her respective successor has been elected and qualified or his or her earlier death, resignation or removal.

Available Information

The Company is subject to the reporting requirements of the Exchange Act. The Company files or furnishes annual, quarterly and current reports, proxy statements and other information with the SEC. Readers may obtain a copy of the Company's annual reports on Form 10-K, its quarterly reports on Form 10-Q or its current reports on Form 8-K, or any amendments to them, that are filed with or furnished to the SEC, free of charge, from the Investor Relations section of the Company's website, *https://ir.amwater.com,* as soon as reasonably practicable after the Company files or furnishes the information to the SEC.

The Company maintains a website at *https://amwater.com*. Information contained on the Company's website, including its Sustainability Report, its Inclusion and Diversity Annual Report, and other reports or documents, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. The Company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing information to comply with SEC Regulation FD.

The American Water corporate governance guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding the Company's corporate governance, are available on its Investor Relations website, *https://ir.amwater.com,* and will be made available, without charge, in print to any shareholder who requests such documents from its Investor Relations Department, American Water Works Company, Inc., 1 Water Street, Camden, NJ, 08102.

ITEM 1A. RISK FACTORS

We operate in a market and regulatory environment that involves significant risks, many of which are beyond our control. In addition to the other information included or incorporated by reference in this Annual Report on Form 10-K, the following material factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position, results of operations, cash flows and liquidity.

Risks Related to Our Industry and Business Operations

Our Regulated Businesses are subject to extensive regulation by state PUCs and other regulatory agencies, which significantly affects our business, financial condition, results of operations and cash flows. Our Regulated Businesses also may be subject to fines, penalties and other sanctions for an inability to meet these regulatory requirements.

Our Regulated Businesses provide water and wastewater services to our customers through subsidiaries that are subject to regulation by state PUCs. This regulation affects the rates we charge our customers and has a significant impact on our business and operations. Generally, the state PUCs authorize us to charge rates that they determine are sufficient to recover our prudently incurred operating expenses, including, but not limited to, operating and maintenance costs, depreciation, financing costs and taxes, and provide us with the opportunity to earn an appropriate rate of return on invested capital.

Our ability to successfully implement our business plan and strategy depends on the rates authorized by the various state PUCs. We periodically file rate increase applications with state PUCs. The ensuing administrative process may be lengthy and costly. Our rate increase requests may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. Moreover, a PUC may not approve a rate request to an extent that is sufficient to:

- cover our expenses, including purchased water and costs of chemicals, fuel and other commodities used in our operations;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

Approval by the PUCs is also required in connection with other aspects of our Regulated Businesses, which are required to have numerous permits, approvals and certificates from the PUCs that regulate their businesses and authorize acquisitions, dispositions, debt and/or equity financing, and, in certain cases, affiliated transactions. Some state PUCs are empowered to impose financial penalties, fines and other sanctions for non-compliance with applicable rules and regulations. Although we believe that each utility subsidiary has obtained or sought renewal of the material permits, approvals and certificates necessary for its existing operations, we are unable to predict the impact that future regulatory activities may have on our business.

PUCs and other governmental authorities have taken, and may continue to take, emergency or other actions in light of the on-going COVID-19 pandemic that may impact us, including prohibiting the termination of service for non-payment and extending or delaying procedural schedules in our regulatory proceedings. We are unable to predict the range of impacts that the ongoing COVID-19 pandemic and other related events may have on our ability to obtain these approvals as needed or requested by our Regulated Businesses in the ordinary course or at all, or the nature or impacts of any further emergency or other action that may be taken by the PUCs or other governmental authorities.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if the rates approved are sufficient, we face the risk that we will not achieve the rates of return on our invested capital to the extent permitted by state PUCs. This could occur if certain conditions exist, including, but not limited to, water usage is less than the level anticipated in establishing rates, customers increase their conservation efforts, or we experience unanticipated impacts of the on-going COVID-19 pandemic, or if our investments or expenses prove to be higher than the levels estimated in establishing rates.

Our operations and the quality of water we supply are subject to extensive and increasingly stringent environmental, water quality and health and safety laws and regulations, including with respect to contaminants of emerging concern, compliance with which could impact both our operating costs and capital expenditures, and violations of which could subject us to substantial liabilities and costs, as well as damage to our reputation.

Our regulated water and wastewater operations and the operations of our Market-Based Businesses are subject to extensive federal, state and local laws and regulations. These requirements include, among others, CERCLA, the Clean Water Act, the Safe Drinking Water Act, the LCR, and other federal and state requirements. For example, state PUCs and environmental regulators set conditions and standards for the water and wastewater services we deliver. If we deliver water or wastewater services to our customers that do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our

operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves providing water service for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry.

In addition, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. We are also required to obtain various environmental permits from regulatory agencies for our operations.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations and their enforcement, have become more stringent over time, and new or stricter requirements could increase our costs. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, there can be no guarantee that the various state PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity.

We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination, including potential releases of hazardous chemicals, such as chlorine, which we use to treat water, or at off-site locations where we have disposed of residual waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to contaminants of emerging concern, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). Examples of sources of contaminants include, but are not limited to, newly created chemical compounds (including, for example, manufactured nanomaterials); human and veterinary products; perfluorinated and polyfluorinated compounds; bacteria, microbes, viruses (including the coronavirus), amoebae and other pathogens; and residual by-products of disinfection. We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants, and our role is to provide service that meets these standards, if any. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for a contaminant in the absence of a regulatory standard. Furthermore, given the rapid pace at which these contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system or supplies, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe these contaminants may form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

Limitations on availability of water supplies or restrictions on our use of water supplies as a result of government regulation or action may adversely affect our access to sources of water, our ability to supply water to customers or the demand for our water services.

Our ability to meet the existing and future demand of our customers depends on the availability of an adequate supply of water. As a general rule, sources of public water supply, including rivers, lakes, streams, groundwater aquifers and recycled water sources, are held in the public trust and are not generally owned by private interests. As a result, we typically do not own the source water that we use in our operations, and the availability of our water supply is established through allocation rights (determined by legislation or court decisions) and passing-flow requirements set by governmental entities or by entering into water purchase agreements. These requirements, which can change from time to time, and vary by state or region, may adversely impact our water supply. Supply issues, such as drought, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. If we are unable to secure available or alternative sources of water, our business, financial condition, results of operations and cash flows could be adversely affected.

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with an October 2009 cease and desist order (the "2009 Order"), as amended by a July 2016 order (the "2016 Order"), of the SWRCB that requires our California subsidiary to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule that terminated on December 31, 2021 (the "2021 Deadline"). See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter. We are also required to augment our Monterey County sources of water supply to comply with the requirements of the Endangered Species Act. Beginning in January 2022, Cal Am currently expects that it will be able to comply with the diversion reduction requirement schedule contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years

will depend on successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order may result in material additional costs or obligations, including fines and penalties against our California subsidiary in the event of noncompliance with the 2009 Order and the 2016 Order, which could have a material adverse effect upon us and our business, results of operations and cash flows.

Service disruptions caused by severe weather conditions, climate variability patterns or natural or other disasters may disrupt our operations or reduce the demand for our water services, which could adversely affect our financial condition, results of operations, cash flows and liquidity.

Service interruptions due to severe weather, climate variability patterns and natural or other events are possible across all our businesses. These include, among other things, storms, freezing conditions, high wind conditions, hurricanes, tornadoes, earthquakes, landslides, drought, wildfires, coastal and intercoastal floods or high water conditions, including those in or near designated flood plains, pandemics (including the COVID-19 pandemic) and epidemics, severe electrical storms, sinkholes and solar flares. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. Tariffs in place or cost recovery proceedings with respect to our Regulated Businesses may not provide reimbursement to us, in whole or in part, for any of these impacts.

Government restrictions on water use may also result in decreased use of water services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal drought conditions that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. Responses may range from voluntary to mandatory water use restrictions, rationing restrictions, water conservation regulations, and requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot assure that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after drought restrictions are repealed and the drought has ended, which could adversely affect our business, financial condition, results of operations and cash flows.

Climate variability may cause increased volatility in weather and may impact water usage and related revenue or require additional expenditures, all of which may not be fully recoverable in rates or otherwise.

The issue of climate variability is receiving increasing attention nationally and worldwide. There is consensus among climate scientists that there will be worsening of weather volatility in the future associated with climate variability. Many climate variability predictions present several potential challenges to water and wastewater utilities, including us, such as:

- increased frequency and duration of droughts;
- increased precipitation and flooding;
- increased frequency and severity of storms and other weather events;
- challenges associated with changes in temperature or increases in ocean levels;
- potential degradation of water quality;
- decreases in available water supply and changes in water usage patterns;
- increases in disruptions in service;
- increased costs to repair damaged facilities; or
- increased costs to reduce risks associated with the increasing frequency and severity of natural events, including to improve the resiliency and reliability of our water and wastewater treatment and conveyance facilities and systems.

Because of the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity. Furthermore, laws and regulations have been enacted that seek to reduce or limit GHG emissions and require additional reporting and monitoring, and these regulations may become more pervasive or stringent in light of changing governmental agendas and priorities, although the exact nature and timing of these changes is uncertain. Although some or all potential expenditures and costs associated with the impact of climate variability and related laws and regulations on our Regulated Businesses could be recovered through rates, infrastructure replacement surcharges or other regulatory mechanisms, there can be no assurance that state PUCs would authorize rate increases to enable us to recover such

expenditures and costs, in whole or in part.

The current regulatory rate setting process may result in a significant delay, also known as "regulatory lag," from the time that we invest in infrastructure improvements, incur increased operating expenses as a result of inflation or other factors, incur increased cost of capital, including as a result of increasing short- and long-term rates, or experience declining water usage, to the time at which we can seek to address these events in rate case applications; our inability to mitigate or minimize regulatory lag could adversely affect our business.

There is typically a delay, known as "regulatory lag," between the time our Regulated Businesses make a capital investment or incur an operating expense increase and the time when those costs are reflected in rates. In addition, billings permitted by state PUCs typically are, to a considerable extent, based on the volume of water usage in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to mitigate or reduce regulatory lag could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

We endeavor to mitigate or reduce regulatory lag by pursuing constructive regulatory practices. For example, two of our states have approved revenue stability mechanisms that adjust rates periodically to ensure that a utility's revenue will be sufficient to cover its costs regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In addition, 10 of our state PUCs permit rates to be adjusted outside of the general rate case application process through surcharges that address certain capital investments, such as replacement of aging infrastructure. These surcharges are adjusted periodically based on factors such as project completion or future budgeted expenditures, and specific surcharges are eliminated once the related capital investment is incorporated in new PUC approved rates. Furthermore, in setting rates, nine of our state PUCs allow us to use future test years, which extend beyond the date a rate request is filed to allow for current or projected revenues, expenses and investments to be reflected in rates on a more timely basis. Other examples of such regulatory practices include expense mechanisms that allow us to increase rates for certain cost increases that are beyond our control, such as purchased water costs, property or other taxes, or power, conservation, chemical or other expenditures. These mechanisms enable us to adjust rates in less time after costs have been incurred than would be the case under a general rate case application process without the mechanisms.

While these mechanisms have mitigated or reduced regulatory lag in several of our regulated states, we continue to seek approval of regulatory practices to mitigate or reduce regulatory lag in those jurisdictions that have not approved them. Furthermore, PUCs may fail to adopt new surcharges and existing mechanisms may not continue in their current form, or at all, or we may be unable or become ineligible to continue to utilize certain of these mechanisms in the future. Although we intend to continue our efforts to seek state PUC approval of constructive regulatory practices to mitigate or reduce regulatory lag, our efforts may not be successful, or even if partially successful, our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected.

Changes in laws and regulations can significantly and materially affect our business, financial condition, results of operations, cash flows and liquidity.

The impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to our Regulated Businesses is uncertain. Changes in laws or regulations, the imposition of additional laws and regulations, changes in enforcement practices of regulators, government policies or court decisions can materially affect our operations, results of operations and cash flows. Certain of the individuals who serve as regulators are elected or political appointees. Therefore, elections which result in a change of political administration or new appointments may also result in changes of the individuals who serve as regulators and changes in the policies of the regulatory agencies that they serve. New laws or regulations, new interpretations of existing laws or regulations, changes in agency policy, including those made in response to shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

- making it more difficult for us to increase our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases and other regulatory proceedings;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets, or issue long-term debt or equity, or making it less cost-effective for us to do so;

- negatively impacting, among other things: (i) tax rates or positions or the deductibility of expenses under federal or state tax laws, (ii) the availability or amount of, or our ability to comply with the terms and conditions of, tax credits or tax abatement benefit, (iii) the amount of taxes owed, (iv) the timing of tax effects on rates or (v) the ability to utilize our net operating loss carryforwards;
- changing regulations that affect the benefits we expected to receive when we began offering services in a particular area;
- increasing the associated costs of, or difficulty complying with, environmental, health, safety, consumer privacy, water quality, and water quality accountability laws and regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via condemnation, eminent domain or other similar process, or for governmental agencies or private plaintiffs to assess liability against us for damages under these or similar processes;
- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of a CPCN issued to us by a state PUC or other governmental authority.

Regulatory and environmental risks associated with the collection, treatment and disposal of wastewater may impose significant costs and liabilities.

The wastewater collection, treatment and disposal operations of our subsidiaries are subject to substantial regulation and involve environmental risks. If collection, treatment or disposal systems fail, overflow, or do not operate properly, untreated or inadequately treated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, financial condition, results of operations and cash flows. Certain of our wastewater systems have commercial and industrial customers that are subject to specific limitations on the type, character and strength of the wastewater they are permitted to discharge into our systems. The failure by these commercial and industrial customers to comply with their respective discharge requirements could, in turn, negatively impact our operations, damage our facilities or cause us to exceed applicable discharge limitations and requirements. Liabilities resulting from such exceedance events could adversely and materially affect our business, financial condition, results of operations and cash flows.

A loss of one or more large industrial or commercial customers could have a material adverse impact upon the results of operations of one or more of our Regulated Businesses.

Adverse economic conditions, including the COVID-19 pandemic or other factors, may cause our customers, particularly industrial and large commercial customers, to curtail operations. A curtailment of operations by such a customer typically results in reduced water usage by that customer. In more severe circumstances, the decline in usage could be permanent. Any decrease in demand resulting from difficult economic conditions affecting these customers could adversely affect our financial condition and results of operations. Tariffs in place with respect to our Regulated Businesses may not reimburse us, in whole or in part, for any of these impacts.

Our Regulated Businesses require significant capital expenditures and may suffer if we fail to secure appropriate funding to make investments, experience increases in short- and long-term interest rates or if we experience delays in completing major capital expenditure projects.

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2021, we invested $1.8 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will continue into the future and, we believe, will increase. We expect to fund capital improvement projects using cash generated from operations (including, among other things, a portion of the net proceeds from the sales of HOS and our New York subsidiary), borrowings under our revolving credit facility and commercial paper programs and issuances of long-term debt and equity. We may not be able to access our revolving credit facility or the commercial paper, long-term debt and equity capital markets, when necessary or desirable to fund capital improvements on favorable terms or at all. If we are not able to obtain sufficient financing, we may be unable to maintain our existing property, plant and equipment, fund our capital investment strategies, meet our growth targets and expand our rate base to enable us to earn satisfactory future returns on our investments. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of supply chain interruptions, construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, legal and

regulatory challenges, or other obstacles. Each of these outcomes could adversely affect our business, financial condition, results of operations and cash flows.

Aging infrastructure may lead to service disruptions, property damage and increased capital expenditures and O&M costs, all of which could negatively impact our financial results.

We have risks associated with aging infrastructure, including water and sewer mains, pumping stations and water and wastewater treatment facilities. Additionally, we may have limited information regarding buried and newly acquired assets, which could challenge our ability to conduct efficient asset management and maintenance practices. Assets that have aged beyond their expected useful lives may experience a higher rate of failure. Failure of aging infrastructure could result in increased capital expenditures and O&M costs, and negatively impact our future O&M efficiency ratio. In addition, failure of aging infrastructure may result in property damage, and in safety, environmental and public health impacts. To the extent that any increased costs or expenditures are not fully recovered in rates, our results of operations, liquidity and cash flows could be negatively impacted.

Seasonality could adversely affect the volume of water sold and our revenues.

The volume of water we sell during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, the volume of water sold tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the amount of water we sell may decrease and adversely affect our revenues.

Two of our jurisdictions, California and Illinois, have adopted revenue stability mechanisms that permit us to recover the revenues authorized in a general rate case, regardless of sales volume. Revenue stability mechanisms are designed to recognize declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In those jurisdictions that have not adopted a revenue stability mechanism, our operating results could continue to be affected by seasonality.

Contamination of water supplies or our water service provided to our customers could result in service limitations and interruptions and exposure to substances not typically found in potable water supplies, and could subject us and our subsidiaries to reductions in usage and other responsive obligations, government enforcement actions, damage to our reputation and private litigation.

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, may be subject to contamination, including, among other items, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from manufactured sources (such as perchlorate, perfluorinated and polyfluorinated compounds, methyl tertiary butyl ether, 1,4-dioxane, lead and other materials, or chemical spills or other incidents that result in contaminants entering the water source), and possible terrorist attacks or other similar incidents. In addition, new categories of contaminants continue to emerge in the water industry. If one of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) limiting use of the water supply under a “Do Not Use” protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply, in whole or in part, potentially impacting basic sanitation and fire protection needs. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through the expansion of our current treatment facilities or the development of new sources of supply or new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms, and any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies. See Item 3—Legal Proceedings for information on certain pending lawsuits related to interruptions of water service.

Since we are engaged in the business of providing water service to our customers, contamination of the water supply, or the water service provided to our customers, could result in substantial injury or damage to our customers, employees or others and we could be exposed to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and may be brought by our customers or third parties. Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur. We may not be protected from these claims or negative impacts of these claims in whole or in part by tariffs or other contract terms. Negative impacts to our reputation may occur even if we are not liable for any contamination or other environmental damage or the consequences arising out of human exposure to contamination or hazardous substances within the water supply or distributed finished drinking water. In addition, insurance coverage may not cover all or a portion of these losses, and are subject to deductibles and other limitations. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or sanctions.

Our business and operations have a large direct and indirect customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water service, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment arising out of these and other incidents may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our agreements related to our Military Services Group, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

The failure of, or the requirement to repair, upgrade or dismantle, any of our dams may adversely affect our financial condition, results of operations, cash flows and liquidity.

The properties of our Regulated Businesses segment include 76 dams, the majority of which are earthen dams. The failure of any of these dams could result in personal injury and property damage, including without limitation downstream property damage, for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

We also are required from time to time to decommission, repair or upgrade the dams that we own. The cost of such repairs or upgrades can be and has been material. The federal and state agencies that regulate our operations may adopt rules and regulations requiring us to dismantle our dams, which also could entail material costs. Although in most cases the PUC has permitted recovery of expenses and capital investment related to dam rehabilitation, we might not be able to recover costs of repairs, upgrades or dismantling through rates in the future. The inability to recover these costs or delayed recovery of the costs as a result of regulatory lag can affect our financial condition, results of operations, cash flows and liquidity.

Any failure of our network of water and wastewater pipes, water mains and water reservoirs could result in losses and damages that may affect our financial condition and reputation.

Our operating subsidiaries distribute water and collect wastewater through an extensive network of pipes, water mains and storage systems located across the United States. A failure of major pipes, mains or reservoirs could result in injuries, property and other damage for which we may be liable. The failure of major pipes, mains and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water and wastewater delivery requirements prescribed by government regulators, including state PUCs with jurisdiction over our operations, and adversely affect our financial condition, results of operations, cash flows, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future. Moreover, to the extent such business interruptions or other losses are not covered by insurance, they may not be recovered through rate adjustments.

An important part of our growth strategy is the acquisition of water and wastewater systems, which involves risks, including competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers, which may hinder or limit our ability to grow our business.

An important element of our growth strategy is the acquisition and optimization of water and wastewater systems in order to broaden our current, and move into new, service areas. We may not be able to acquire other systems or businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates. Further, competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers may hinder our ability to expand our business.

The negotiation and execution of potential acquisitions as well as the integration of acquired systems or businesses with our existing operations could require us to incur significant costs and cause diversion of our management’s time and resources. Future acquisitions by us could result in, among other things:

- incurrence or assumption of debt, contingent liabilities and environmental liabilities and obligations, including liabilities that were unknown or undisclosed at the time of acquisition;
- failure to recover acquisition premiums;

- unanticipated capital expenditures;
- failure to maintain effective internal control over financial reporting;
- the need to successfully integrate the acquired systems' operations and water quality, cybersecurity and infrastructure protection measures;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly results;
- unanticipated acquisition-related expenses;
- failure to realize anticipated benefits and synergies, such as cost savings and revenue enhancements; and
- difficulties in integrating or assimilating personnel, benefits, services and systems.

Some or all of these items could have a material adverse effect on our business. The systems and businesses we acquire in the future may not achieve anticipated revenue, return on equity or profitability, or other perceived synergies, and any difficulties we encounter in the integration process could interfere with our operations, reduce our net income and profitability or adversely affect our internal control over financial reporting.

We compete with governmental entities, other regulated utilities, and strategic and financial buyers for acquisition opportunities. As consolidation activity increases in the water and wastewater industries and competition for acquisitions continues to increase, the prices for suitable acquisition candidates may increase and limit our ability to expand through acquisitions.

Our Regulated Businesses are subject to condemnation and other proceedings through eminent domain or other similar authorized process, which could materially and adversely affect their results of operations and financial condition.

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. A municipality, other government subdivision or a citizen group may seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition.

For example, in November 2018, Monterey, California ballot Measure J, which was added by a citizens group, was certified as having been approved by a public vote, requiring the MPWMD to conduct a study and submit a written plan concerning the feasibility of a potential purchase of the Monterey system assets without an additional public vote. The public vote led to the issuance by the MPWMD in November 2019 of a preliminary report finding, among other things, that the acquisition of the Monterey system assets by the MPWMD would be economically feasible. Also, five municipalities in the Chicago, Illinois area formed a water agency that filed an eminent domain lawsuit against our Illinois subsidiary in January 2013, seeking to condemn a water pipeline that serves those five municipalities. This lawsuit remains pending, and a valuation trial is scheduled for the second quarter of 2022. See Item 1—Business—Regulated Businesses—Condemnation and Eminent Domain, which includes additional information regarding these matters.

Furthermore, the law in certain jurisdictions in which our Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if the public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has disallowed recovery in rates of losses incurred by these utilities as a result of such lawsuits.

Contesting an exercise of condemnation, eminent domain or other similar process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management. Moreover, our efforts to resist the condemnation, eminent domain or other process may not be successful, which may require us to sell the operations at issue in a condemnation proceeding or to pay a private property owner compensation for the property damage suffered. If a municipality or other government subdivision succeeds in acquiring the assets of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant charges. Any of these outcomes may have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

We may be subject to physical and cyber attacks.

As operators of critical infrastructure, we may face a heightened risk of physical and cyber attacks from internal or external sources. Our water and wastewater systems may be vulnerable to disability or failures as a result of physical or cyber attacks, acts of war or terrorism, vandalism or other causes. Our operational and technology systems throughout our businesses may be vulnerable to unauthorized external or internal access, due to hacking, viruses, acts of war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our customers, employees, suppliers and other third parties. Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our sensitive information, could also be targets of cyber attacks and unauthorized access. While we have instituted safeguards to protect our operational and technology systems, those safeguards may not always be effective due to the evolving nature of cyber attacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful in the event of a cyber attack.

If, despite our security measures, a significant physical attack or cyber breach occurred, our operations could be disrupted, property damaged, and customer and other confidential information lost or stolen; we could experience substantial loss of revenues, response costs and other financial loss; we could suffer a loss of management time, attention and resources from our regular business operations; and we may be subject to increased regulation, litigation and damage to our reputation, any of which could have a negative impact on our business, results of operations and cash flows. Experiencing a cyber security incident could also cause us to be non-compliant with applicable laws and regulations or contracts that require us to securely maintain confidential data, causing us to incur costs related to legal claims or proceedings and regulatory fines or penalties. These types of events, either impacting our facilities or the industry in general, could also cause us to incur additional security and insurance related costs.

In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that could be targets of cyber attacks. Any theft, loss or fraudulent use of customer, employee or proprietary data as a result of a cyber attack could subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

We have obtained cyber insurance to provide coverage for a portion of the losses and damages that may result from a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss or damage caused by a breach. The market for cybersecurity insurance is relatively new and coverage available for cybersecurity events may evolve as the industry matures. In the future, adequate insurance may not be available at rates that we believe are reasonable, and the costs of responding to and recovering from a cyber incident may not be covered by insurance or recoverable in rates.

Our business is subject to complex and evolving federal, state and local laws and regulations regarding consumer privacy and the protection or transfer of data relating to individuals, which could result in, among other things, private or governmental claims or litigation against us, changes to our business practices, monetary penalties, reputational harm and increased cost of operations.

Laws and regulations are changing and increasing rapidly with respect to data and consumer privacy, security and protection. We are becoming subject to an increasing number of complex and continually evolving data and consumer privacy, security and protection laws and regulations administered by various federal, state and local governments, including, for example, the California Consumer Privacy Act of 2018. Federal and state governments have also adopted or are proposing other limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information. In addition, the Federal Trade Commission and state attorneys general are applying federal and state consumer protection laws to impose standards on the collection, use and dissemination of data. Moreover, we expect that current laws, regulations and industry standards concerning privacy, data protection and information security in the United States will continue to evolve and increase, and we cannot determine the impact that compliance with such future laws, regulations or standards will have on us or on our business. Any failure or perceived failure by us to comply with current or future federal, state, or local data or consumer privacy or security laws, regulations, policies, guidance, industry standards, or legal obligations, or any incident resulting in unauthorized access to, or acquisition, release, or transfer of personally identifiable information or other data relating to our customers, employees and others, may result in private or governmental enforcement actions, litigation or other claims against us, fines and penalties, or adverse perception or publicity about us and our businesses, which could have a material adverse effect on our reputation and business and could result in us incurring substantial costs. These events could also require us to change our business practices, and the events or such changes may result in significant diversions of resources, distract management and divert the focus and attention of our security and technical personnel from other critical activities. Any of the foregoing consequences could have a material adverse effect on our business, financial condition, results of operations, cash flows and liquidity.

We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

We maintain insurance coverage as part of our overall legal and risk management strategy to minimize potential liabilities arising from our Regulated Businesses, as well as the operations of our Market-Based Businesses. Our insurance programs have

varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker's compensation, employer's liability, general liability, cybersecurity, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage or for which we are self-insured.

Although in the past we have been generally able to obtain insurance coverage related to our business, there can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

We rely on technology to facilitate the management of our business as well as our customer and supplier relationships, and a failure or disruption of implemented technology could materially and adversely affect our business.

Technology is an integral part of our business and operations, and any failure or disruption of the technology or related systems we implement could significantly limit our ability to manage and operate our business effectively and efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. We use technology systems to, among other things, bill customers, process orders, provide customer service, manage certain plant operations and construction projects, manage our financial records, track assets, remotely monitor our plants and facilities, and manage human resources, supply chain, inventory, and accounts receivable collections. As a specific example, we depend on water meters to record and communicate the amount of water our customers use, and in recent years, we have experienced greater than expected performance failures with certain water meters used in the Regulated Businesses. When these occur, we work with meter manufacturers to determine and address the cause of such failures. While these and other failures that we have experienced have not to date had a material adverse effect on our operations, there can be no assurance that efforts to address performance failures or other issues we may experience with water meters will be successful and that these or future failures of water meters or other issues will not have a material adverse effect on us.

Although we do not believe that the technology we have implemented or may in the future implement is at a materially greater risk of failure than that used by other similar organizations, our technology and operations that use or rely on technology remain vulnerable to damage or interruption from, among other things: failure or interruption of the technology or its related systems; loss or failure of power, internet, telecommunications or data network systems; and operator error or improper operation by, the negligent or improper supervision of, or the intentional acts of, employees, contractors and other third parties. Any or all of these events could have a material adverse impact on our business, results of operations, financial condition and cash flows.

An inability to successfully develop and implement new technologies poses substantial risks to our business and operational excellence strategies, which could have a material adverse effect on our business and financial results.

A significant part of our long-term strategic focus on safety, operational excellence, O&M expense efficiency, water quality, asset and capital management and the customer experience includes implementing new technologies for, among other things: customer service and support; environmental compliance; water metering; water quality and source monitoring; cybersecurity; business development and growth; data analysis; employee development and training; and other initiatives. For example, we have made and plan to continue to make significant investments in developing, deploying and maintaining customer-facing technologies, applications to support field service and customer service operations, water source sensor and evaluation technologies, data analytics and hyperautomation technologies and artificial intelligence technologies. Where appropriate, we also seek to align these new technologies with existing technology infrastructure and systems. There can be no assurance that we will be successful in designing, developing, deploying, integrating or maintaining these new technologies. Because these efforts can be long-term in nature, these new technologies may be more costly or time-consuming than expected to design, develop, integrate and complete and may not ultimately deliver the expected or desired benefits upon completion. While we have and will continue to seek to recover costs and earn a return on capital expenditures with respect to the costs and expenses of development and deployment of these new technologies in our Regulated Businesses, there can be no assurance that we will be able to do so in every instance or at all, and our inability to do so may adversely affect our ability to achieve intended O&M expense efficiencies or other key performance results and, ultimately, could materially and adversely impact our business, financial condition, results of operations and cash flows.

Our inability to efficiently upgrade and improve our operational and technology systems, or implement new systems, could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. We continue to implement technology to improve our business processes and customer interactions, and have installed new, and upgraded existing, technology systems. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any

adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

Disruptions in our supply chain related to goods, such as pipe, chemicals, fuel, electricity, equipment, water and other raw materials, and services, could adversely impact our operations and our ability to serve our customers, as well as our financial results.

Our ability to serve our customers and operate our business in compliance with regulatory requirements is dependent upon purchasing or securing necessary goods and services from our suppliers and vendors. These items include but are not limited to contracted services, chemicals, pipe, valves, hydrants, fittings, fuel, equipment (including personal protective equipment), water and electricity. Examples of supply chain disruptions include reduced quantities of goods available in the marketplace, delays in manufacturing or shipping goods, labor shortages at our suppliers or vendors, natural disasters and operational impacts to some of our suppliers or vendors. Disruptions in our supply chain related to goods and services have occurred and we anticipate will continue to occur into the foreseeable future. Supply chain disruptions may cause us to be unable to purchase or otherwise obtain needed goods or services at a reasonable price or at all, and may significantly increase the price of goods and services we may obtain from suppliers and vendors. This, in turn, may adversely impact our operations and our ability to serve our customers in compliance with regulatory requirements, as well as our associated results of operations, cash flows and financial condition. While we attempt to plan for and have contingencies in place to address supply chain disruptions, our mitigation efforts may not be successful or may have further negative impacts on us.

Our business has inherently dangerous work sites. If we fail to maintain safe work sites, we may experience workforce or customer injuries or loss of life, and be exposed to financial losses, including penalties and other liabilities.

Safety is a core value and a strategy at American Water. Our safety performance and progress to our ultimate desired goal of zero injuries are critical to our ability to carry out our operations effectively and to serve our customers, and thereby, to support our reputation. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public. Eliminating all hazards all of the time is extremely challenging, but through strict adherence to our health and safety practices, and empowering employees to be safety leaders who are expected to stop work if deemed “unsafe,” we believe we can achieve an injury-free workplace.

At our business sites, including construction and maintenance sites, our employees, contractors and others are often in close proximity to large mechanical operating equipment, moving vehicles, pressurized water, electric and gas utility lines, below grade trenches and vaults, electrical and pneumatic hazards, fall from height hazards, suspended loads, hazardous chemicals and other regulated materials. On many sites, we are responsible for safety and, accordingly, must implement important safety procedures and practices above governmental regulatory requirements. As an essential business that must continue to provide water and wastewater services during the COVID-19 pandemic, we are focused on the health and safety of our employees, contractors, vendors, customers and others who work at or visit our worksites. If the procedures we implement are ineffective or are not followed by our employees or others, or we fail to implement procedures, our employees, contractors and others may experience illness, or minor, serious or fatal injuries. Unsafe work sites have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the delivery, handling, storage, use and disposal of hazardous chemicals, which, if improperly delivered, handled, stored, used or disposed of, could result in serious injury, death, environmental damage or property damage, and could subject us to penalties or other liabilities. We are also subject to various environmental, transportation and occupational health and safety regulations. Although we maintain functional employee groups whose primary purpose is to implement effective environmental health and safety work procedures and practices throughout our organization, including construction sites and operating facilities, the failure to comply with these regulations or procedures could subject us to liability.

Work stoppages and other labor relations matters could adversely affect our results of operations and the ability to serve our customers.

As of December 31, 2021, approximately 47% of our workforce was represented by unions, and we had 73 collective bargaining agreements in place with 14 different unions representing our unionized employees. These collective bargaining agreements, 21 of which will expire during 2022, are subject to periodic renewal and renegotiation. We may not be able to successfully renew or renegotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations, negatively impact the ability to serve our customers, and result in higher labor costs, which could adversely affect our reputation, financial condition, results of operations, cash flows and liquidity.

While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Financial, Economic and Market-Related Risks

Our indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flows to satisfy our liquidity needs.

As of December 31, 2021, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was $11.0 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;
- exposing us to interest rate risk with respect to the portion of our indebtedness that bears interest at variable rates;
- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations;
- impairing our access to the capital markets for debt and equity;
- requiring that an increasing portion of our cash flows from operations be dedicated to the payment of the principal and interest on our debt, thereby reducing funds available for future operations, dividends on our common stock or capital expenditures;
- limiting our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and
- placing us at a competitive disadvantage compared to those of our competitors that have less debt.

In order to meet our capital expenditure needs, we may be required to borrow additional funds under the revolving credit facility or issue a combination of new short-term and long-term debt securities and/or equity. We continue to assess our short- and long-term liquidity needs in light of the impact of the COVID-19 pandemic on the financial and capital markets, especially with respect to the market for corporate commercial paper, which experienced volatility and shortages of liquidity in March 2020. In response to these events, in March 2020, we entered into a $750 million 364-day term loan facility and immediately executed a $500 million draw thereunder to support our short-term liquidity by retaining that amount in cash. We repaid this term loan facility in full in March 2021. During 2021, we utilized other existing sources of liquidity, such as our current cash balances, cash flows from operations and borrowings under the revolving credit facility as necessary or desirable to meet our short-term liquidity requirements. We believe that existing sources of liquidity will be sufficient to meet our cash requirements for the foreseeable future. However, as the impacts of the COVID-19 pandemic on the economy, the financial and capital markets and our operations continue to evolve, we will continue to assess our liquidity needs. In the event of a sustained market deterioration, we may need to obtain additional sources of liquidity, which would require us to evaluate available alternatives and take appropriate actions.

Moreover, additional borrowings may be required to repay or refinance outstanding indebtedness. Other than debt with respect to the term loan facility, debt maturities and sinking fund payments in 2022, 2023 and 2024 will be $57 million, $280 million and $474 million, respectively. We can provide no assurance that we will be able to access the debt or equity capital markets on favorable terms, if at all, to repay or refinance this debt. Moreover, as new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to repay or refinance existing debt on favorable terms.

We have in the past entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly “mark to market” valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

Our ability to pay our expenses and satisfy our debt service obligations depends in significant part on our future performance, which will be affected by the financial, business, economic, competitive, legislative (including tax initiatives and reforms, and other similar legislation or regulation), regulatory and other risk factors described in this section, many of which are beyond our control. If we do not have sufficient cash flows to pay the principal and interest on our outstanding debt, we may be required to refinance all or part of our existing debt, reduce capital investments, sell assets, borrow additional funds or sell additional equity. In addition, if our business does not generate sufficient cash flows from operations, or if we are unable to incur indebtedness sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to changes in our business, which could cause our financial condition, operating results and prospects to be affected materially and adversely.

Our inability to access the debt or equity capital or financial markets or other events could affect our ability to meet our liquidity needs at reasonable cost and our ability to meet long-term commitments, which could adversely affect our financial condition and results of operations.

In addition to cash from operations, during 2021, we generally relied primarily on a $2.25 billion revolving credit facility, a $2.10 billion commercial paper program, our $750 million 364-day term loan facility (which expired and was repaid in full in March 2021) and the capital markets, to satisfy our liquidity needs. The revolving credit facility currently expires in accordance with its terms in March 2025. Historically, we have regularly used our commercial paper program rather than the revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally could obtain in the commercial paper market. As of December 31, 2021, there were no outstanding borrowings under the revolving credit facility, $584 million of commercial paper outstanding and $76 million in outstanding letters of credit. There can be no assurance that we will be able to continue to access this commercial paper program or revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

Under the terms of the revolving credit facility, our consolidated debt cannot exceed 70% of our consolidated capitalization, as determined under the terms of the facility. If our equity were to decline or debt were to increase to a level that causes us to exceed this limit, lenders under the facility would be entitled to refuse any further extension of credit and to declare all of the outstanding debt thereunder immediately due and payable. To avoid such a default, a waiver or renegotiation of this covenant would be required, which would likely increase funding costs and could result in additional covenants that would restrict our operational and financing flexibility. Our ability to comply with this and other covenants contained in the revolving credit facility and our other consolidated indebtedness is subject to various risks and uncertainties, including events beyond our control. For example, events that could cause a reduction in equity include, without limitation, a significant write-down of our goodwill. Even if we are able to comply with this or other covenants, the limitations on our operational and financial flexibility could harm our business by, among other things, limiting our ability to incur indebtedness or reduce equity in connection with financings or other corporate opportunities that we may believe would be in our best interests or the interests of our shareholders to complete.

Disruptions in the capital markets or changes in our credit ratings could also limit our ability to access capital on terms favorable to us or at all. While the lending banks that participate in the revolving credit facility have to date honored their commitments under those facilities, disruptions in the credit markets, changes in our credit ratings, or deterioration of the banking industry's financial condition could discourage or prevent lenders from meeting their existing lending commitments, extending the terms of such commitments, or agreeing to new commitments. In such a case, we may not be able to access the commercial paper or debt or capital markets, or other sources of potential liquidity, in the future on terms acceptable to us or at all. Furthermore, our inability to maintain, renew or replace commitments under our revolving credit facility could materially increase our cost of capital and adversely affect our financial condition, results of operations and liquidity. Short- or long-term disruptions in the capital and credit markets as a result of economic, legislative, political or other uncertainty, including as a result of the COVID-19 pandemic, changes in U.S. tax and other laws, reduced financing alternatives, or failures of significant financial institutions could adversely affect our access to the liquidity needed for our business. Any significant disruption in the capital, debt or credit markets, or financial institution failures could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include delaying or deferring capital expenditures, reducing or suspending dividend payments, and reducing other discretionary expenditures. Finally, there is no assurance that we will be able to access the equity markets to obtain capital or financing when necessary or desirable and on terms that are reasonable or acceptable to us.

Any of the foregoing events that impede our access to the debt or equity capital markets, or the failure of any of our lenders to meet their commitments that result from financial market disruptions, could expose us to increased interest expense, require us to institute cash conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity.

Parent company may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds.

Parent company is a holding company and, as such, it has no substantive operations of its own. Substantially all of our consolidated assets are held by subsidiaries. Parent company's ability to meet its financial obligations and to pay dividends on its common stock is primarily dependent on the net income and cash flows of its subsidiaries and their ability to pay upstream dividends or repay indebtedness to parent company. Prior to paying dividends to parent company, our regulated subsidiaries must comply with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations and agreements, and our covenants and other agreements. Our subsidiaries are separate legal entities and have no obligation to pay or upstream dividends to parent company. A failure or inability of any of these subsidiaries to pay such dividends or repay intercompany obligations could have a material adverse impact on our liquidity and parent company's ability to pay dividends on its common stock and meet its other obligations.

We may not be able to fully utilize our state net operating loss carryforwards.

As of December 31, 2021, we had state NOL carryforwards of approximately $123 million, and management believes it is more likely than not that these NOL carryforwards will be recovered in the future. Our state NOL carryforwards began to expire in 2021 and will continue to expire through 2041. We have, in the past, been unable to utilize certain of our state NOL carryforwards, and the establishment or increase of a valuation allowance in the future would reduce our deferred income tax assets and our net income. Our actual results may differ from those estimated by management in making its assessment as to our ability to use the state NOL carryforwards. If we are unable to fully utilize our state NOL carryforwards to offset taxable income generated in the future, our financial position, results of operations and cash flows could be materially adversely affected.

We have recorded a significant amount of goodwill, and we may never realize the full value of our intangible assets, causing us to record impairments that may negatively affect our results of operations.

Our total assets include $1.1 billion of goodwill at December 31, 2021. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, we have taken significant non-cash charges to operating results for goodwill impairments in the past. We may be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to our performance or the performance of an acquired business. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or other circumstances. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill would result in a charge to income in the period in which the impairment occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

Market volatility and other conditions may impact the value of benefit plan assets and liabilities, as well as assumptions related to the benefit plans, which may require us to provide significant additional funding.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations and volatility, which may cause investment returns to fall below our projected return rates. We are currently unable to predict the effect, if any, of the COVID-19 pandemic or other events on the valuation of our pension assets and liabilities. A decline in the market value of our pension and postretirement benefit plan assets as of the measurement date can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. Interest rates have experienced volatility and are subject to potential further adjustments based on the actions of the U.S. Federal Reserve, and others. If interest rates are lower at the measurement date, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in assumptions, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected. In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that the discount rate used in our assumptions is reduced, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

Additional Risks Related to Market-Based Businesses

Parent company provides performance guarantees with respect to certain of the obligations of our Market-Based Businesses, including financial guarantees or deposits, which may adversely affect parent company if the guarantees are successfully enforced.

Under the terms of certain agreements under which our Market-Based Businesses, primarily MSG, provide water and wastewater services to municipalities and federal governmental entities, parent company provides guarantees of specified performance obligations, including financial guarantees or deposits. In the event these obligations are not performed, the entity holding the guarantees may seek to enforce the performance commitments against parent company or proceed against the deposit. In that event, our financial condition, results of operations, cash flows and liquidity could be adversely affected. At December 31, 2021, we had remaining performance commitments as measured by remaining contract revenue totaling approximately $6.2 billion related to MSG's contracts, and this amount is likely to increase if the number of military bases served by MSG increases. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

MSG's operations are subject to various risks associated with doing business with the U.S. government.

MSG enters into contracts with the U.S. government for the operation and maintenance of water and wastewater systems, which contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In addition, the contract price for each of these military contracts is typically subject to either an annual economic price adjustment, or a redetermination two years after commencement of operations and every three years thereafter. Annual economic price adjustment is an inflation index-based contract price increase mechanism. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and anticipated market conditions. Any early contract termination or unfavorable annual economic price adjustment or price redetermination could adversely affect our financial condition, results of operations and cash flows.

Moreover, entering into contracts with the U.S. government subjects us to a number of operational and compliance risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. We are subject to potential government investigations of our business practices and compliance with government procurement and security regulations, which are complex, and compliance with these regulations can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended or debarred from bidding on or receiving awards of new contracts with the U.S. government or our existing contracts could be terminated, which could have a material adverse effect on our results of operations and cash flows.

General Risk Factors

New accounting standards or changes to existing accounting standards could materially impact how we report our results of operations, cash flow and financial condition.

Our Consolidated Financial Statements are prepared in accordance with GAAP. The SEC, the Financial Accounting Standards Board or other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies or critical accounting estimates. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flow and financial condition. We could be required to apply a new or revised standard retroactively, which could also adversely affect our previously reported results of operations, cash flow and financial condition.

Undetected errors in internal controls and information reporting could result in the disallowance of cost recovery and noncompliant disclosure.

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP, taxation requirements, federal securities laws and regulations and other laws and regulations applicable to us. We have also implemented corporate governance, internal control and accounting policies and procedures in connection with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and relevant SEC rules, as well as other applicable regulations. Such internal controls and policies have been and continue to be closely monitored by our management and Board of Directors to ensure continued compliance with these laws, rules and regulations. Management is also responsible for establishing and maintaining internal control over financial reporting and is required to assess annually the effectiveness of these controls. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated or unauthorized actions of employees or temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to undetected errors that could result in the disallowance of cost recovery and non-compliant disclosure and reporting. The consequences of these events could have a negative impact on our results of operations, cash flows and financial condition. The inability of management to certify as to the effectiveness of these controls due to the identification of one or more material weaknesses in these controls could also harm our reputation, increase financing costs or adversely affect our ability to access the capital markets.

Our continued success is dependent upon our ability to hire, retain and utilize qualified personnel.

The success of our business is dependent upon our ability to hire, retain and utilize qualified personnel, including engineers, licensed operators, water quality and other operating and craft personnel, and management professionals who have the required experience and expertise. From time to time, it may be difficult to attract and retain qualified individuals with the expertise and in the timeframe demanded for our business needs. In certain geographic areas, for example, we may not be able to satisfy the demand for our services because of our inability to successfully hire and retain qualified personnel.

In addition, as key personnel approach retirement age, we need to have appropriate succession plans in place and to successfully implement such plans. If we cannot attract and retain qualified personnel or effectively implement appropriate succession plans, our business, financial condition, results of operations and cash flows may be materially and adversely impacted.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's properties consist primarily of (i) water and wastewater treatment plants, (ii) mains and pipes used for transmission, distribution and collection of water and wastewater, (iii) wells and other sources of water supply, such as reservoirs, (iv) water and wastewater pumping stations, (v) meters and fire hydrants, (vi) general structures, including buildings, dams and treated water storage facilities, (vii) land and easements, (viii) vehicles, (ix) software rights, and (x) other equipment and facilities, the majority of which are used directly in the operation of its systems. Substantially all of the Company's properties are owned by its subsidiaries, with a large percentage subject to liens of its mortgage bonds. A wholly owned subsidiary of parent company owns the Company's corporate headquarters, located in Camden, New Jersey, and the Company and its operating subsidiaries lease office space, equipment and furniture from certain of the Company's wholly owned subsidiaries. These properties are utilized by the Company's directors, officers and staff in the conduct of the business.

The properties of the Company's Regulated Businesses consist mainly of approximately:

- 80 surface water treatment plants;
- 480 groundwater treatment plants;
- 160 wastewater treatment plants;
- 52,500 miles of transmission, distribution and collection mains and pipes;
- 1,100 groundwater wells;
- 1,700 water and wastewater pumping stations;
- 1,300 treated water storage facilities; and
- 76 dams.

The Company has ongoing infrastructure renewal programs in all states in which its Regulated Businesses operate. These programs consist of both the rehabilitation of existing mains and equipment, and the replacement of mains and equipment that have been damaged or have reached, or are near, the end of their useful service lives. The properties of its Market-Based Businesses consist mainly of office furniture and IT equipment. Approximately 51% of all properties that the Company owns are located in New Jersey and Pennsylvania.

The Company maintains property insurance against loss or damage to its properties by fire or other perils, subject to certain exceptions. For insured losses, the Company is self-insured to the extent that any losses are within the policy deductible or exceed the amount of insurance maintained.

The Company believes that its properties are generally maintained in good operating condition and in accordance with current standards of good water and wastewater industry practice.

ITEM 3. LEGAL PROCEEDINGS

Set forth below is information related to the Company's material pending legal proceedings as of February 16, 2022, other than ordinary routine litigation incidental to the business, required to be disclosed in this Annual Report on Form 10-K. The information below should be read together with Note 17—Commitments and Contingencies in the Notes to the Consolidated Financial Statements. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more**.**

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with SWRCB Orders to Reduce Carmel River Diversions

Under the 2009 Order, California-American Water Company, the Company's California subsidiary ("Cal Am") is required, among other things, to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. See Item 1—Business—Regulated Businesses—Water Supply and Wastewater Services and Item 1A—Risk Factors. The 2009 Order responded to claims that Cal Am had not sufficiently implemented actions to terminate its unpermitted diversions of water from the Carmel River as required by a 1995 order of the SWRCB. In July 2016, at the request of Cal Am and several Monterey County government agencies, the SWRCB issued the 2016 Order approving the 2021 Deadline.

The 2009 Order includes a condition prohibiting Cal Am from diverting water from the Carmel River for new service connections or for any increased use of water at existing service addresses resulting from a change in zoning or use. In 2011, the California Public Utilities Commission (the "CPUC") issued a decision directing modifications in Cal Am's tariffs to recognize the moratorium mandated by the 2009 Order, and directing Cal Am to seek written guidance from the SWRCB with respect to any unresolved issues of interpretation or implementation of this condition. In 2012, the Deputy Director of the SWRCB sent a letter to Cal Am providing an interpretation as to the calculation of a baseline to determine increases in use of water at existing service addresses. In March 2018, the MPWMD adopted a resolution directing Cal Am to interpret the baseline in a manner that conflicts with the SWRCB's written interpretation. In May 2018, Cal Am notified the MPWMD and the SWRCB that it intends to seek declaratory relief concerning the conflicting regulatory interpretations under the 2009 Order. In an attempt to resolve these conflicting interpretations prior to seeking judicial intervention, Cal Am has met with the MPWMD and the SWRCB several times. The SWRCB agreed to circulate revisions to its 2012 interpretive letter, which would be subject to a public comment period. Any failure to follow the MPWMD's resolution or the SWRCB's written interpretation, despite these conflicting interpretations, could potentially result in fines, penalties and other actions against Cal Am.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirements contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

Cal Am's ability to move forward on the Water Supply Project is and has been subject to extensive administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to the incurred $50 million in associated costs plus AFUDC, subject to meeting certain criteria.

In July 2019, Cal Am notified the MPWMD and Monterey One Water (collectively, the "Agencies") that an event of default occurred under the water purchase agreement for the GWR Project because the Agencies failed to deliver to Cal Am by July 1, 2019 advanced treated recycled water produced by the GWR Project. In its notification to the Agencies, Cal Am expressly reserved its right to terminate the water purchase agreement until the Performance Start Date, which was September 1, 2020. As of June 30, 2021, Cal Am determined that the Agencies met their performance obligations under the water purchase agreement with respect to the first fiscal year of the contract.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a CPCN and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, O&M costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed in the first general rate case filed by Cal Am after it becomes operational. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $186 million in aggregate costs as of December 31, 2021 related to the Water Supply Project, which includes $47 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from the expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project is subject to review and approval of the CPUC, and on November 29, 2021, Cal Am filed an application with the CPUC seeking review and approval of the amended and restated water purchase agreement. Cal Am is also requesting rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This amount is in addition to, and consistent in regulatory treatment with, the prior $50 million of recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $50 million in construction costs previously approved by the CPUC in its 2016 final decision. See Note 17—Commitments and Contingencies in the Notes to the Consolidated Financial Statements for further discussion.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete.

In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. Cal Am responded with the requested additional information on January 11, 2022, and on February 8, 2022, the Coastal Commission requested additional information. The original jurisdiction application remains pending.

Desalination Plant Development Permit

The proposed desalination plant for the Water Supply Project is to be located in an unincorporated portion of Monterey County, California on a site owned by CEMEX, Inc. ("CEMEX"), and requires a combined development permit from the County of Monterey prior to commencement of construction. On April 24, 2019, the County's Planning Commission voted to approve the permit. In July 2019, the Board of Supervisors heard appeals filed by MCWD and a public advocacy group, at which time it denied the appeals and approved the permit. In August 2019, MCWD filed a petition in Monterey County Superior Court challenging Monterey County's approval of Cal Am's combined development permit application and seeking injunctive relief to enjoin Monterey County and Cal Am from commencing construction of the desalination plant. In October 2019, after a hearing, the court denied, without prejudice, MCWD's motion for a preliminary injunction, but issued a stay of the County's approval of the combined development permit, precluding commencement of physical construction of the desalination plant, but allowing Cal Am to continue to obtain permits needed for the desalination plant's construction. On January 21, 2021, the court issued its decision granting in part and denying in part MCWD's petition. The court found that the County of Monterey did not completely comply with all of the requirements necessary to approve the combined development permit and set aside its approval so that the County could come into compliance. The court denied all of MCWD's other claims. The court also lifted its stay on physical construction at the plant site.

On May 25, 2021, Cal Am filed a notice of appeal as to the Monterey County Superior Court's January 21, 2021 decision, seeking to challenge the court's decision on Monterey County's statement of overriding considerations. Monterey County filed a notice of appeal as to the same issue on May 26, 2021. On June 22, 2021, MCWD filed cross-appeals on its claims that had been denied by the court.

Proposed Zoning Changes at CEMEX Site for Slant Wells

In August 2018, the City circulated a public review draft of proposed amendments to its local coastal program and zoning ordinance, and placed the matter for consideration on the Planning Commission's agenda for its September 2018 meeting. The proposed amendments would change zoning at the CEMEX site to open space and restrict future uses, including with respect to Cal Am's planned use of the site for the slant wells for the Water Supply Project. Any change to the City's local coastal program must ultimately be approved by the Coastal Commission. Cal Am, CEMEX and the Coastal Commission each submitted letters opposing the proposed amendments. At its November 2018 meeting, the Planning Commission adopted a resolution recommending that the Marina City Council consider approving the amendments.

In December 2018, the Marina City Council considered the proposed amendments. Cal Am, CEMEX and the Coastal Commission again submitted letters opposing the proposed changes, but the City Council unanimously adopted a resolution amending its local coastal plan and a draft amendment to its zoning ordinance. Changes to the ordinance require a second reading before becoming final, which occurred at the City's December 2018 meeting. The changes to the local coastal plan must be submitted to the Coastal Commission for approval and are not effective until such approval is obtained.

Test Slant Well Permitting

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the Coastal Commission approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. Because Cal Am may use the test slant well as one of the slant wells for the Water Supply Project, Cal Am sought and obtained from the Coastal Commission permit amendments to allow the test slant well to remain in place and be maintained until February 23, 2023. A required lease obtained from the California State Lands Commission, as amended, will expire on December 16, 2022. Effective February 28, 2018, test slant well pumping ceased, except for minimal maintenance pumping activities, in accordance with Cal Am's coastal development permits.

Water Supply Project Land Acquisition and Slant Well Site Use

In July 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property owned by CEMEX on which intake wells for the Water Supply Project will be located, to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record. A permanent easement granted by CEMEX to Cal Am was recorded in June 2018 to allow Cal Am access to the property and to construct, operate and maintain the Water Supply Project intake wells. On November 26, 2019, the City notified CEMEX that, based on this permanent easement and Cal Am's proposed use of the site for the intake wells, CEMEX has breached or will soon breach a prior 1996 annexation agreement (to which Cal Am was not a party). The City states that it intends to seek declaratory relief from CEMEX and Cal Am ordering that Cal Am's extraction is limited to 500 acre-feet per year of groundwater, that Cal Am cannot export extracted water out of the basin, and that the permanent easement granted by CEMEX to Cal Am is void. CEMEX has denied the City's claims and requested indemnification from Cal Am under the terms of the permanent easement. Cal Am and CEMEX believe that there is no valid limitation under the annexation agreement on Cal Am's right to pump brackish groundwater and seawater at the site for desalination and use by Cal Am's customers.

In May 2020, the City filed a lawsuit in Monterey County Superior Court, naming Cal Am and CEMEX as defendants, and MCWRA and MCWD as real parties in interest. The lawsuit, as amended, alleges a claim for breach of contract against CEMEX and seeks declaratory relief to void the permanent easement and prohibiting extraction of water by Cal Am's slant wells at the CEMEX site in excess of 500 acre-feet per year and the export of such water outside the groundwater basin. In November 2020, Cal Am, CEMEX and MCWRA filed demurrers, which were overruled by the court at a hearing held on February 9, 2021.

In August 2020, MCWD filed a cross-complaint in the May 8, 2020 lawsuit against Cal Am, CEMEX and MCWRA, alleging claims for specific performance of certain provisions of the 1996 annexation agreement related to the property owned by CEMEX on which intake wells for the Water Supply Project will be located, as well as claims of water rights, nuisance and unreasonable water use, and seeking additional declaratory relief. Following various rulings on demurrers filed by Cal Am, CEMEX and MCWRA, on February 23, 2021, the court sustained, without leave to amend, the demurrer to MCWD's nuisance claim and overruled the remainder of the demurrers. On October 7, 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion.

Challenges Related to Compliance with California's Sustainable Groundwater Management Act

Under California's Sustainable Groundwater Management Act ("SGMA") enacted in 2015, groundwater basins designated by the state as critically overdrafted must be managed by a groundwater sustainability agency ("GSA") by 2020 in accordance with an approved groundwater sustainability plan ("GSP") designed to achieve sustainability by 2040. Under the SGMA, GSAs have broad powers to achieve sustainability including, but not limited to, regulating groundwater extraction by imposing fees on groundwater extractions and controlling groundwater extractions by regulating, limiting or suspending extractions from wells. The 400-acre CEMEX site overlies a small portion of the 180/400 Subbasin of the Salinas Valley Groundwater Basin; the 84,000-acre 180/400 Subbasin has been designated by the state as critically overdrafted, mainly due to seawater intrusion into the subbasin.

In late 2016, the Salinas Valley Basin Groundwater Sustainability Agency (the "SVBGSA") was formed as a joint powers authority to become the GSA for the Salinas Valley Groundwater Basin and prepare a GSP. In April 2018, the City filed a notice to become the GSA for the CEMEX site, creating an overlap with the SVBGSA's filing for the 180/400 Subbasin. In 2016, the SVBGSA commenced preparation of a GSP covering the entire 180/400 subbasin, including the CEMEX site, but in August 2019 the City filed a notice that it intends to prepare its own GSP for the CEMEX site with the intent to severely limit or prohibit groundwater pumping at that site. The State Department of Water Resources ("SDWR") has taken the position that until the overlap is resolved, it will not accept the GSP from either agency, placing the subbasin at risk of being placed in a probationary status and subject to state management. In December 2019, the County of Monterey filed its own notice to become the exclusive GSA at the CEMEX site in order to resolve the overlap, which is permitted under SGMA. SDWR accepted Monterey County's filing on December 18, 2019, and now lists Monterey County as the exclusive GSA for the site.

On December 30, 2019, the City filed a lawsuit in Monterey County Superior Court challenging Monterey County's filing, and SDWR's acceptance of the filing, as the exclusive GSA for the CEMEX site. The City has named Monterey County and its Board of Supervisors, its GSA, and SDWR and its director as defendants, and the SVBGSA and its Board of Directors as real parties. The City seeks to invalidate Monterey County's filing, as well as injunctive relief to preserve the City's status as a GSA for the site. To protect its interest in the matter, Cal Am filed an application to intervene in this lawsuit, which was granted. Monterey County filed cross-claims against the City and SDWR. After a hearing, on August 24, 2021, the court denied the claims brought by the City and granted Monterey County's cross-claims, finding that the City's GSA notice was untimely, the Monterey County GSA was the exclusive GSA for the CEMEX site, and the SVBGSA's GSP was properly adopted for the entire 180/400 subbasin, including the CEMEX site. On November 15, 2021, the City appealed this decision, and on December 13, 2021, Monterey County appealed the court's decision as to the finding that the City's action creating a GSA was not void.

On September 14, 2020, Cal Am filed a separate but related complaint in Monterey County Superior Court challenging the validity of actions taken by the City and its GSA in adopting a groundwater sustainability plan for the CEMEX site, and the validity of the provisions of such plan. Due to the overlap of issues in the City's lawsuit with those in the validation action, the parties stipulated to a stay of the validation action pending determination of the claims in the City's action, which was approved by the court in December 2020.

On February 16, 2021, the City filed a separate but related *in rem* reverse validation complaint challenging the adoption by Monterey County of a GSP for the CEMEX site. This complaint remains pending. Currently, both validation actions remain stayed during the pendency of the City's appeals.

Challenge of Certification — Proposed Monterey System Acquisition Final Environmental Impact Report

In November 2018, voters in Monterey, California passed "Measure J," which decided that the MPWMD should conduct a feasibility study concerning the potential purchase of Cal Am's Monterey system assets, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. See Item 1—Business—Regulated Businesses—Condemnation and Eminent Domain for more information on this matter. In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board, among other things, (1) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J, (2) ensure there is significant potential for cost savings before agreeing to commence an acquisition, and (3) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

On October 7, 2020, the MPWMD issued a FEIR for the potential acquisition of the Monterey system assets, and on November 4, 2020, the MPWMD certified the FEIR, which purports to analyze the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. On November 25, 2020, Cal Am filed a petition for writ of mandate in Monterey County Superior Court challenging certification of the FEIR, alleging that the MPWMD's analysis of environmental impacts was inadequate and that certification was improper. A hearing on the matter was held on August 30, 2021, and on November 19, 2021, the court denied Cal Am's petition.

West Virginia Elk River Freedom Industries Chemical Spill

See Note 17—Commitments and Contingencies—Contingencies—West Virginia Elk River Freedom Industries Chemical Spill in the Notes to Consolidated Financial Statements for information regarding the final court approval of the global settlement with respect to the January 2014 Freedom Industries, Inc. chemical spill.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by West Virginia-American Water Company, the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored on July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. On January 28, 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 16, 2021, oral argument was heard by the Circuit Court on the issue of addressing the Supreme Court of Appeals' remand. This matter remains pending.

The Company and WVAWC believe that WVAWC has meritorious defenses to the claims raised in this class action complaint and WVAWC will continue to vigorously defend itself against these allegations.

Chattanooga, Tennessee Class Action Litigation

On September 12, 2019, Tennessee-American Water Company, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and Service Company (collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. The court has entered an agreed scheduling order, which sets a hearing in October 2022 to address the question of class certification.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations.

Other Matters

On April 2, 2021, American Water Resources, LLC ("AWR"), which, prior to the Closing Date was one of the indirect, wholly owned subsidiaries comprising the Company's former HOS operations, received a grand jury subpoena in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY"). The subpoena seeks documents regarding AWR's operations and its contractor network in the New York City metropolitan area.

In connection with the sale of the HOS operations to the Buyer (including all of the Company's equity interests in AWR), the Company, AWR and the Buyer entered into a Common Interest and Cooperation Agreement (the "Cooperation Agreement"), dated as of the Closing Date, which facilitates a common defense for, and the sharing of information concerning, the EDNY investigation and any legal or regulatory inquiries or proceedings related to or resulting from it or the subject matter in the subpoena (collectively, the "Covered Matters"). The Company, on behalf of AWR, is required to defend any Covered Matter, using commercially reasonable efforts to resolve it on a reasonably expedient basis. Further, the Company is required to consult with the Buyer in specified circumstances and obtain its prior written consent (which consent may not be unreasonably withheld, conditioned or delayed) before entering into any resolution of any Covered Matter that imposes non-monetary provisions or undertakings or any other terms for which there will be no indemnification under the Cooperation Agreement. In addition, for the period from the Closing Date to March 9, 2025, the Company is required to indemnify the Buyer for any monetary losses or out-of-pocket damages (as described in the Cooperation Agreement) incurred by the Buyer or certain of the HOS subsidiaries to the extent directly arising in connection with, or directly resulting from, any Covered Matter.

Based on the subpoena and discussions with the EDNY, the investigation does not appear to be focused on the Company, and the Company is cooperating fully with the investigation. While it is not possible at this time to predict the outcome of the investigation or determine the amount, if any, of fines, penalties or other liabilities that may be incurred in connection with it, the Company does not currently believe that the investigation will have a material adverse effect on the Company's results of operations, financial condition or liquidity.

General

Periodically, the Company is involved in other proceedings or litigation arising in the ordinary course of business. Other than those proceedings described in this Item 3—Legal Proceedings, the Company does not believe that the ultimate resolution of these matters will materially affect its financial position or results of operations. However, litigation and other proceedings are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is possible that some litigation and other proceedings could be decided unfavorably to the Company, and that any such unfavorable decisions could have a material adverse effect on its business, financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since April 23, 2008, the Company's common stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AWK." As of February 10, 2022, there were 181,724,991 shares of common stock outstanding held by approximately 2,333 record holders. Holders of the Company's common stock are entitled to receive dividends when they are declared by its Board of Directors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information regarding the Company's dividends.

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2021, the Company repurchased an aggregate of 4,860,000 shares of its common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program. There were no repurchases of common stock in 2021.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements," Item 1A—Risk Factors and elsewhere in this Form 10-K. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings. For a discussion and analysis of the Company's financial statements for fiscal 2020 compared to fiscal 2019, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company employs approximately 6,400 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company's utilities operate in approximately 1,700 communities in 14 states in the United States, with 3.4 million active customers with services provided by its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by PUCs. The Company also operates other market-based businesses that provide water, wastewater and other services to residential and smaller commercial customers, the U.S. government on military installations, as well as municipalities and utility customers, collectively presented as the "Market-Based Businesses." These Market-Based Businesses are not subject to economic regulation by state PUCs. See Item 1—Business for additional information.

COVID-19 Pandemic Update

American Water continues to monitor the COVID-19 pandemic and has taken steps since the beginning of the pandemic to mitigate adverse impacts to the Company. The Company has three main areas of focus as part of its response to COVID-19: the care and safety of its employees; the safety of its customers and the communities it serves; and the execution of its business continuity plan. American Water continues to work with its vendors to prevent disruptions in its supply chain, and, at this time, has not experienced, and does not anticipate, any material disruptions. The Company also continues to monitor the impacts of the COVID-19 pandemic on the capital markets, including impacts that could increase its cost of capital.

The Company has experienced financial impacts since the beginning of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental O&M expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as "financial impacts." See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information. The extent to which the COVID-19 pandemic may further impact American Water, including without limitation, its liquidity, financial condition, and results of operations, will depend on future developments, which presently cannot be predicted.

As of February 16, 2022, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 13 jurisdictions. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California's Catastrophic Event Memorandum Account allows the Company's California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO

The Company's Pennsylvania subsidiary filed for a request with the Pennsylvania Public Utility Commission (the "PaPUC") to defer as a regulatory asset all identified COVID-19 financial impacts. On September 15, 2021, the PaPUC issued an order approving the Company's request to defer, with carrying costs, incremental uncollectible expense and other incremental costs net of savings attributed to the COVID-19 pandemic. The PaPUC order denied the request to include lost revenues attributed to the waiver of late fees and reconnect fees and expenses associated with additional interest costs. Additionally, the PaPUC order approved the request to allow for the continuation of the deferral of financial impacts, rejecting proposals from the intervening parties to define an end date to the deferral in 2021. As a result of the order discussed above, the Company recorded a net $7 million reduction to its regulatory assets and corresponding impacts to revenue, interest expense and uncollectible expense during the third quarter of 2021. The Company continues to evaluate options within its next base rate case to address these denied items and the resulting financial impact.

On July 28, 2021, the Company's Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General, which reflected agreement on the deferral of COVID-19-related financial impacts through April 30, 2021. On August 9, 2021, the Tennessee Public Utility Commission denied the stipulation and settlement agreement and moved to address the Company's Tennessee subsidiary's petition to defer the COVID-19 financial impacts in a future hearing. On August 26, 2021, the Company's Tennessee subsidiary filed a motion to withdraw its pending petition, preserving its right to seek recovery of the COVID-19 financial impacts in a future proceeding.

In December 2020, the Kentucky Public Service Commission issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic.

Consistent with these regulatory orders, the Company has recorded $36 million in regulatory assets and $6 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of December 31, 2021.

As of February 16, 2022, one state, New Jersey, continues moratoria until March 15, 2022, on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in 12 states. The Company continues to monitor the COVID-19 pandemic and will continue to comply with the current ordered moratoria and any future moratoria implemented.

In 2019, the Company completed and submitted its project completion certification to the New Jersey Economic Development Authority ("NJEDA") in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The NJEDA determined that the Company is qualified to receive $164 million in tax credits over a ten-year period. The Company is required to meet various annual requirements in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15. The Company has made the necessary annual filings for the years ended December 31, 2019 and 2020 and expects to make the 2021 filing by April 30, 2022. As a result, the Company had receivables of $49 million and $115 million in other current assets and other long-term assets, respectively, on the Consolidated Balance Sheets as of December 31, 2021. The submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in the first half of 2022.

In March 2020, in connection with the COVID-19 pandemic, the NJEDA, pursuant to Executive Order 103 - State of Emergency and a Public Health Emergency, temporarily waived the requirement that a full-time employee must spend at least 80% of his or her time at the qualified business facility ("QBF") to meet the definition of eligible position or full-time job. The waiver will continue for as long as New Jersey's Executive Order 281 is valid. On July 2, 2021, New Jersey's Governor approved a bill that revised provisions of the Economic Recovery Act of 2020 and other economic development programs, including amending the definition of an eligible position and full-time job in the Grow New Jersey Program and replacing the 80% requirement of time spent at the QBF. The bill states that an eligible position is one that is filled by a full-time employee who has their primary office at the QBF and spends at least 60% of their time at the QBF. The bill specifically states that it supersedes the existing regulations and existing incentive agreements that require an eligible employee spend at least 80% of their time at the QBF.

Sale of Homeowner Services Group

On the Closing Date, the Company sold all of the equity interests in subsidiaries that comprised HOS to the Buyer for total consideration of approximately $1.275 billion, resulting in a pre-tax gain on sale of $748 million. The consideration is comprised of $480 million in cash, a seller promissory note issued by the Buyer in the principal amount of $720 million, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. The structure of the transaction enables the initial cash proceeds to be redeployed into the Regulated Businesses to fund near-term incremental capital investments, while interest on the seller note provides a stream of earnings during its term. Upon maturity, the proceeds from the repayment of the seller note are expected to be used to fund capital investment in the Regulated Businesses. This sale narrowed the focus of the Company's Market-Based Businesses primarily to MSG.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The repayment obligations of the Buyer under the seller note have been secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions. The seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants.

Beginning December 9, 2024, the Company has a put right pursuant to which it may require the seller note to be repaid in full at par, plus accrued and unpaid interest, except that upon the occurrence of a disruption event in the broadly syndicated term loan "B" debt financing market, repayment by the Buyer pursuant to the Company's exercise of the put right will be delayed until the market disruption event ends.

The seller note may not be prepaid at the Buyer's election except in certain limited circumstances before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the seller note in breach of this non-call provision, an event of default will occur under the seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary "make-whole" payment.

The Company and the Buyer also entered into a revenue share agreement, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods.

Financing Activities

On May 10, 2021, American Water Capital Corp. ("AWCC") completed a $1.1 billion debt offering, which included the sale of $550 million aggregate principal amount of its 2.30% senior notes due 2031 and $550 million aggregate principal amount of its 3.25% senior notes due 2051. Net proceeds of this offering were used to lend funds to parent company and its regulated subsidiaries, to prepay $327 million in aggregate principal amount of AWCC's outstanding senior notes, to repay AWCC's commercial paper obligations and for general corporate purposes. See Note 12—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

As a result of AWCC's prepayment of the various senior notes, a make-whole premium of $15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

Selected Financial Data

This selected financial data below should be read in conjunction with the Company's Consolidated Financial Statements and related Notes in this Annual Report on Form 10-K as well as the remainder of this Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.

	For the Years Ended December 31,				
(In millions, except per share data)	**2021**	**2020**	**2019**	**2018**	**2017**
Statement of Operations data:					
Operating revenues	$ 3,930	$ 3,777	$ 3,610	$ 3,440	$ 3,357
Net income attributable to common shareholders	1,263	709	621	567	426
Net income attributable to common shareholders per basic common share	$ 6.96	$ 3.91	$ 3.44	$ 3.16	$ 2.39
Net income attributable to common shareholders per diluted common share	6.95	3.91	3.43	3.15	2.38
Balance Sheet data:					
Total assets	$ 26,075	$ 24,766	$ 22,682	$ 21,223	$ 19,482
Long-term debt and redeemable preferred stock at redemption value	10,344	9,333	8,644	7,576	6,498
Other data:					
Cash dividends declared per common share	$ 2.41	$ 2.20	$ 2.00	$ 1.82	$ 1.66
Net cash provided by operating activities	1,441	1,426	1,383	1,386	1,449
Net cash used in investing activities	(1,536)	(2,061)	(1,945)	(2,036)	(1,672)
Net cash (used in) provided by financing activities	(345)	1,120	494	726	207
Capital expenditures included in net cash used in investing activities	(1,764)	(1,822)	(1,654)	(1,586)	(1,434)

Financial Results

For the years ended December 31, 2021, 2020 and 2019, diluted earnings per share (GAAP) were $6.95, $3.91 and $3.43, respectively. In 2021, as compared to 2020, diluted earnings per share increased $3.04. This increase was primarily driven by a pre-tax gain on sale of $748 million relating to the sale of HOS and continued growth in the Regulated Businesses from infrastructure investment, acquisitions and organic growth. These increases were offset by the $45 million pre-tax contribution to the AWCF authorized by the Company in 2021, and the impacts from weather in both 2021 and 2020, which had an estimated net decrease of $13 million in revenues in 2021, or $0.05 per share. The consolidated net income impact of the gain on sale of HOS and the AWCF contribution is $491 million, or $2.70 per share, inclusive of a $13 million net income benefit included in the Other segment, from the revaluation of state net operating losses that can now be utilized as a result of the sale.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company expects to continue to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. In 2021, the Company invested $1.9 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses Growth and Optimization

- $1.8 billion capital investment in the Regulated Businesses, the majority for infrastructure improvements and replacements; and
- $135 million to fund acquisitions, including deposits discussed below, in the Regulated Businesses, which added approximately 20,000 water and wastewater customers during 2021, in addition to approximately 17,500 customers added through organic growth during 2021.

On April 6, 2021, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for $235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system, directly and indirectly through bulk contracts, serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company's Pennsylvania subsidiary paid a $20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

During 2022, the Company closed on the acquisition of two regulated water and wastewater systems adding approximately 700 customers, for a total aggregate purchase price of $2 million. As of February 16, 2022, the Company has entered into agreements for pending acquisitions in the Regulated Businesses, including the York City Sewer Authority and Egg Harbor City agreements discussed above, to add approximately 77,000 additional customers.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty, an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Sale of Michigan American Water Company

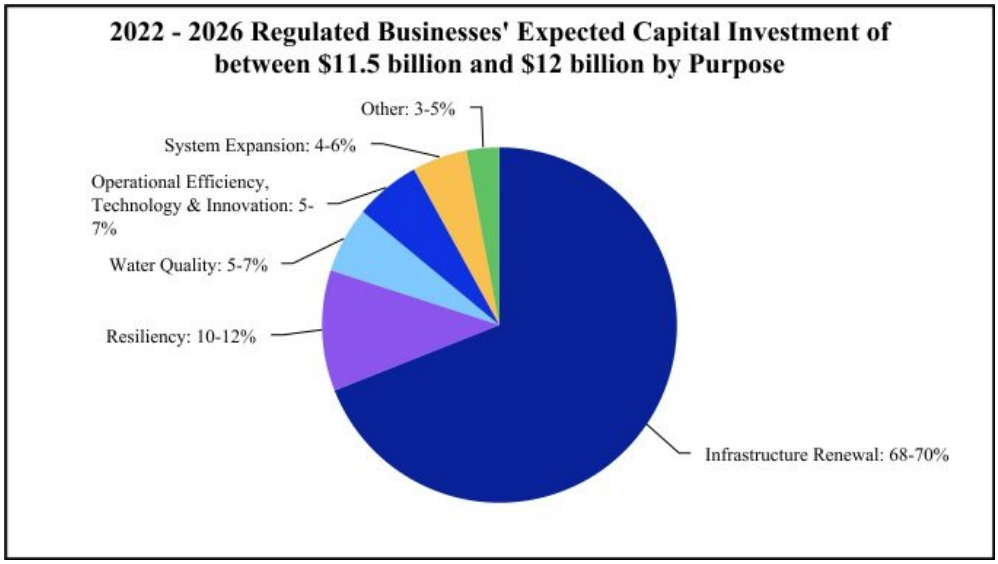
On February 4, 2022, the Company completed the sale of its operations in Michigan for approximately $6 million.

Future Growth

The Company expects to invest between $13 billion to $14 billion over the next five years, and between $28 billion to $32 billion over the next 10 years, including $2.5 billion in 2022. The Company's expected future investments include:

- capital investment for infrastructure improvements in the Regulated Businesses between $11.5 billion to $12 billion over the next five years, and between $25 billion to $28 billion over the next 10 years, including $2 billion expected in 2022; and
- growth from acquisitions in the Regulated Businesses to expand the Company's water and wastewater customer base of between $1.5 billion to $2 billion over the next five years, and between $3 billion to $4 billion over the next 10 years, including $500 million expected in 2022.

Presented in the following chart is the estimated allocation of the Company's expected capital investment for infrastructure improvements in its Regulated Businesses over the next five years, by purpose:



Operational Excellence

The Company's adjusted regulated O&M efficiency ratio, which is used as a measure of the operating performance of the Regulated Businesses, was 34.1% for the year ended December 31, 2021, compared to 34.3% for the year ended December 31, 2020. The improvement in this ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. Additionally, the Company excluded the impact of certain Freedom Industries chemical spill settlement activities recognized in 2019 from operation and maintenance expenses. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Annual Report on Form 10-K.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

	For the Years Ended December 31,		
(Dollars in millions)	**2021**	**2020**	**2019**
Total operation and maintenance expenses	$ 1,777	$ 1,622	$ 1,544
Less:			
Operation and maintenance expenses—Market-Based Businesses	482	389	393
Operation and maintenance expenses—Other	(30)	(25)	(31)
Total operation and maintenance expenses—Regulated Businesses	1,325	1,258	1,182
Less:			
Regulated purchased water expenses	153	149	135
Allocation of non-operation and maintenance expenses	34	41	31
Impact of Freedom Industries settlement activities (a)	—	—	(4)
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,138	$ 1,068	$ 1,020
Total operating revenues	$ 3,930	$ 3,777	$ 3,610
Less:			
Operating revenues—Market-Based Businesses	563	540	539
Operating revenues—Other	(17)	(18)	(23)
Total operating revenues—Regulated Businesses	3,384	3,255	3,094
Less:			
Regulated purchased water revenues (b)	153	149	135
Revenue reductions from the amortization of EADIT	(104)	(7)	—
Adjusted operating revenues—Regulated Businesses (ii)	$ 3,335	$ 3,113	$ 2,959
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	34.1 %	34.3 %	34.5 %

(a) Includes the impact of a reduction of a liability in the first quarter of 2019 related to the Freedom Industries chemical spill.

(b) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate cases authorizations that became effective during 2019 through 2021:

(In millions)	2021	2020	2019
General rate cases by state (a):			
Iowa (effective October 11, 2021)	$ 1	$ —	$ —
Missouri (effective May 28, 2021)	22	—	—
Pennsylvania (effective January 28, 2021)	70	—	—
California (effective January 1, 2021, January 1, 2020 and May 11, 2019)	22	5	4
New Jersey (effective November 1, 2020)	—	54	—
Indiana (effective May 1, 2020 and July 1, 2019)	—	13	4
Kentucky (effective June 28, 2019)	—	—	13
West Virginia (effective February 25, 2019)	—	—	19
Maryland (effective February 5, 2019)	—	—	1
Total general rate case authorizations	$ 115	$ 72	$ 41

(a) Excludes authorized increases of $7 million and $4 million in 2021 and 2019, respectively, for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures in the Notes to the Consolidated Financial Statements for additional information.

On November 18, 2021, the CPUC unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which is retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of $22 million, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The EADIT reduction in revenues is $4 million and is offset by a like reduction in income tax expense. On January 18, 2022, the Company's California subsidiary filed for approval of $13 million in 2022 escalation increases, excluding $4 million of reductions related to the TCJA. This filing, which is retroactive to January 1, 2022, is subject to CPUC approval with a 45-day review period.

On June 28, 2021, an order was issued authorizing an increase of $1 million in the general rate case filed by the Company's Iowa subsidiary in 2020. The Company's Iowa subsidiary filed tariffs consistent with the order on September 23, 2021. Effective October 11, 2021, the Iowa Utilities Board approved the tariffs and implemented the new rates.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of $22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of $72 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of $74 million is being returned to customers over 10 years. The $25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of $13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. A scheduling order was issued on October 18, 2021 establishing a briefing schedule through March 2022. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is $19 million. The overall increase, net of TCJA reductions, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting $71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On January 14, 2022, the Company's New Jersey subsidiary filed a general rate case requesting $110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On December 1, 2021, the Company's Kentucky subsidiary filed a wastewater rate case requesting additional revenues of $1 million, excluding proposed reductions for EADIT as a result of TCJA. The Company requested a four-step rate increase for their wastewater operations with effective dates of June 1, 2022, June 1, 2023, June 1, 2024 and June 1, 2025 for annual amounts of less than $1 million each year. The Company filed their wastewater case under the alternative rate filing process for smaller utilities which calculates an operating ratio of 88% rather than a return on equity.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting $15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On August 18, 2021, the Company's Hawaii subsidiary filed a general rate case requesting $2 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting $32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is $1 million and the exclusion for infrastructure surcharges is $10 million. Intervenor testimony was received on September 20, 2021. The Company's rebuttal testimony was filed on October 5, 2021. Hearings were conducted on November 3 and 4, 2021. A final order is expected no later than February 24, 2022.

The Company's California subsidiary submitted its application on May 3, 2021 to set its cost of capital for 2022 through 2024. According to the CPUC's process, a decision is expected to be issued, setting the authorized cost of capital in the third quarter of 2022.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective during 2019 through 2021:

(In millions)	2021	2020	2019
Infrastructure surcharges by state (a):			
New Jersey (b)	$ 26	$ 20	$ 15
Missouri (c)	7	12	14
Kentucky (effective July 1, 2021 and July 1, 2020)	1	1	—
Indiana (effective March 17, 2021)	8	—	—
Pennsylvania (d)	8	27	11
Illinois (effective January 1, 2021, January 1, 2020 and January 1, 2019)	7	7	8
West Virginia (effective January 1, 2021, January 1, 2020 and January 1, 2019)	5	3	2
Tennessee (effective January 1, 2021, January 1, 2020 and September 1, 2019)	3	2	1
Total infrastructure surcharge authorizations	$ 65	$ 72	$ 51

(a) Excludes authorized increases of $2 million in 2019 for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures in the Notes to the Consolidated Financial Statements for additional information.

(b) In 2021, $12 million was effective on December 30 and $14 million was effective June 28. In 2020, $10 million was effective June 29 and $10 million was effective January 1. In 2019, the effective date was July 1.

(c) In 2021, the effective date was October 7. In 2020, $2 million was effective December 14 and $10 million was effective June 27. In 2019, $5 million was effective December 21 and $9 million was effective June 24.

(d) In 2021, the effective date was January 1. In 2020, $8 million was effective October 1, $4 million was effective July 1, $5 million was effective April 1 and $10 million was effective January 1. In 2019, $6 million was effective October 1, $3 million was effective July 1 and $2 million was effective April 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective after January 1, 2022:

(In millions)	Amount
Infrastructure surcharge filings by state:	
Illinois (effective January 1, 2022)	$ 6
Missouri (effective February 1, 2022)	12
Total infrastructure surcharge filings	$ 18

Pending Infrastructure Surcharge Filings

On January 19, 2022, the Company's Indiana subsidiary filed for infrastructure surcharges requesting $8 million in additional annualized revenues.

On June 30, 2021, the Company's West Virginia subsidiary filed for an infrastructure surcharge requesting $3 million in additional annualized revenues.

Tax Matters

Federal Tax Legislation

On November 15, 2021, the IIJA was signed into law and was designed to provide significant investment in the nation's infrastructure. The Company has analyzed the bill to assess legislative tax impacts, and determined that the most significant aspect impacting the Company is the provision for special rules for regulated water and wastewater utilities as it relates to the tax treatment of contributions in aid of construction ("CIAC"). The bill reinstates the pre-TCJA tax treatment of CIAC, which allows regulated water and wastewater utilities to generally exclude the receipt of CIAC from taxable income. This provision is effective for contributions made after December 31, 2020. For the year ended December 31, 2021, the Company has reflected the exemption retroactively to January 1, 2021.

On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, as amended (the "Code"), including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. The enactment of the TCJA required a re-measurement of the Company's deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT will be used to benefit the Company's regulated customers in future rates. Twelve of the Company's regulated subsidiaries are amortizing EADIT and crediting customers. The Company expects the timing of the amortization of EADIT credits for the one remaining regulated subsidiary to be addressed in a pending rate case or other proceedings. When crediting EADIT to the customer, the Company records both a reduction to revenue and a reduction to income tax expense, having no material impact on net income.

Federal Net Operating Loss

The Company had no federal NOL carryover balance remaining as of December 31, 2021 due to the HOS sale, after which time the Company became a cash taxpayer for federal income tax purposes.

Legislative Updates

During 2021, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of February 16, 2022:

- California passed electronic payment legislation, Assembly Bill 1058, which permanently changes state law to allow investor-owned water and wastewater utilities to accept electronic payments, including credit and debit cards, without charging processing fees to customers.
- California passed CPUC consolidation timeline legislation, Assembly Bill 1250, which requires the CPUC to make timely decisions on applications to acquire systems. Consolidations of $5 million or less are to be processed within 180 days and those more than $5 million are required to be processed within 12 months.
- The Kentucky General Assembly adopted House Bill 465 relating to the acquisition of water and wastewater utilities. The legislation affirms a method in valuing water and wastewater systems above net book value and establishes a timeline of 60 days for Public Service Commission approval of an acquisition.
- Indiana House Enrolled Act 1287 creates a mechanism that reduces the required upfront cost to new customers for a water or wastewater utility to extend service to underserved areas.
- Indiana House Enrolled Act 349 establishes a tax rider for water and wastewater utilities based upon a change in state or federal income tax law. The legislation also requires the Indiana Finance Authority to prioritize loans that secure long-term benefits over shorter term projects.
- New Jersey passed Lead Service Line Replacement Bill, Senate Bill 3398/Assembly Bill 5343, which provides for the replacement of lead service lines within 10 years of the effective date of the bill and authorizes cost recovery of customer-owned lead service lines as an O&M expense plus interest through a semi-annual surcharge.
- Missouri passed the Water and Sewer Infrastructure Act, Senate Bill 44/House Bill 397, to establish a new statewide surcharge mechanism program which covers replacement of aging water distribution and sewer collection infrastructure. This legislation broadens the eligible projects covered by the current Infrastructure System Replacement Surcharge mechanism and expands its applicability to projects across the state.
- New Jersey passed Senate Bill 647/House Bill 4825 which strengthens the WQAA by requiring the Department of Environmental Protection to adopt regulations to implement the WQAA, enhancing asset management plans and reporting, upgrading cyber security standards and adding criminal penalties for falsifying reports.
- Illinois passed House Bill 414, Low Income Water & Sewer Financial Assistance Program, which authorizes the state's Department of Commerce and Economic Opportunity to institute a water and sewer assistance program for customers of privately and publicly owned systems. The program is modeled off the existing energy supplemental state Low Income Home Energy Assistance Program.

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that will require the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating revenues	$ 3,930	$ 3,777	$ 3,610
Operating expenses:			
Operation and maintenance	1,777	1,622	1,544
Depreciation and amortization	636	604	582
General taxes	321	303	280
Other	—	—	(10)
Total operating expenses, net	2,734	2,529	2,396
Operating income	1,196	1,248	1,214
Other income (expense):			
Interest expense	(403)	(397)	(386)
Interest income	4	2	4
Non-operating benefit costs, net	78	49	16
Gain or (loss) on sale of businesses	747	—	(44)
Other, net	18	22	29
Total other income (expense)	444	(324)	(381)
Income before income taxes	1,640	924	833
Provision for income taxes	377	215	212
Net income attributable to common shareholders	$ 1,263	$ 709	$ 621

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. The Company also operates other businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses, which is consistent with how management assesses the results of these businesses. For a discussion and analysis of the Company's financial statements for fiscal 2020 compared to fiscal 2019, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating revenues	$ 3,384	$ 3,255	$ 3,094
Operation and maintenance	1,325	1,258	1,182
Depreciation and amortization	601	562	529
General taxes	301	285	262
Other operating expenses	1	(3)	(10)
Other income (expenses)	(195)	(221)	(262)
Income before income taxes	962	932	869
Provision for income taxes	172	217	215
Net income attributable to common shareholders	789	715	654

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Water services:			
Residential	$ 1,935	$ 1,895	$ 1,735
Commercial	676	627	639
Fire service	151	147	142
Industrial	141	133	138
Public and other	239	226	230
Total water services	3,142	3,028	2,884
Wastewater services:			
Residential	151	134	119
Commercial	37	34	31
Industrial	4	3	3
Public and other	16	14	14
Total wastewater services	208	185	167
Other (a)	34	42	43
Total operating revenues	$ 3,384	$ 3,255	$ 3,094

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(Gallons in millions)	For the Years Ended December 31, 2021	2020	2019
Billed water services volumes:			
Residential	173,644	178,753	167,470
Commercial	77,476	75,875	81,268
Industrial	35,738	34,875	37,242
Fire service, public and other	51,957	49,031	50,501
Total billed water services volumes	338,815	338,534	336,481

In 2021, as compared to 2020, operating revenues increased $129 million primarily due to $208 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states, and a $26 million increase from water and wastewater acquisitions, as well as organic growth in existing systems. These increases were offset by an estimated net decrease of $13 million from weather in both 2021 and 2020, a $5 million decrease from lower water services demand and ongoing customer usage reductions from conservation, and a $79 million decrease in revenues due to the amortization of EADIT, which is generally offset with a reduction in income tax expense. Additionally, there was an $8 million decrease in revenue due to the denial of authorization to defer certain COVID-19 financial impacts based on the PaPUC order received by the Company's Pennsylvania subsidiary. See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

(In millions)	For the Years Ended December 31, 2021	2020	2019
Employee-related costs	$ 522	$ 495	$ 462
Production costs	353	335	317
Operating supplies and services	245	242	237
Maintenance materials and supplies	93	84	74
Customer billing and accounting	66	58	55
Other	46	44	37
Total	$ 1,325	$ 1,258	$ 1,182

Employee-Related Costs

(In millions)	For the Years Ended December 31, 2021	2020	2019
Salaries and wages	$ 402	$ 382	$ 363
Group insurance	66	65	60
Pensions	25	20	12
Other benefits	29	28	27
Total	$ 522	$ 495	$ 462

In 2021, as compared to 2020, employee-related costs increased $27 million primarily due to a $20 million increase in salaries and wages from higher headcount and related compensation expense supporting growth in the businesses and a $5 million increase in pension service costs.

Production Costs

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Purchased water	$ 153	$ 149	$ 135
Fuel and power	97	88	90
Chemicals	59	57	54
Waste disposal	44	41	38
Total	$ 353	$ 335	$ 317

In 2021, as compared to 2020, production costs increased $18 million primarily due to a $9 million increase in fuel and power due to higher rates and system delivery across several subsidiaries and a $4 million increase in purchased water primarily due to usage in the Company's California subsidiary.

Maintenance Materials and Supplies

In 2021, as compared to 2020, maintenance materials and supplies increased $9 million primarily due to timing of maintenance and tank painting projects in the Company's New Jersey subsidiary and increased paving costs from a higher volume of main breaks.

Customer Billing and Accounting

In 2021, as compared to 2020, customer billing and accounting increased $8 million primarily due to higher call volumes experienced at our customer service centers, higher collections costs and higher uncollectible costs.

Depreciation and Amortization

In 2021, as compared to 2020, depreciation and amortization increased $39 million primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

In 2021, as compared to 2020, general taxes increased $16 million, primarily due to increased capital investments, including acquisitions, increased tax rates across several subsidiaries and an increase in the New Jersey Gross Receipts Tax.

Other Income (Expenses)

In 2021, as compared to 2020, other income (expenses) increased $26 million primarily due to the reduction in the non-service cost components of pension and other postretirement benefits expense resulting from higher asset returns.

Provision for Income Taxes

In 2021, as compared to 2020, the Regulated Businesses' provision for income taxes decreased $45 million. The Regulated Businesses' effective income tax rate was 17.9% and 23.3% for the years ended December 31, 2021 and 2020, respectively. The decrease was primarily due to an increase in the amortization of EADIT resulting from the TCJA, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Market-Based Businesses

Presented in the table below is information for the Market-Based Businesses:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating revenues	$ 563	$ 540	$ 539
Operation and maintenance	482	389	393
Depreciation and amortization	22	26	37
Gain or (loss) on sale of businesses	748	(1)	(44)
Income before income taxes	798	120	66
Provision for income taxes	248	29	20
Net income attributable to common shareholders	550	91	46

Operating Revenues

In 2021, as compared to 2020, operating revenues increased $23 million primarily due to a $32 million increase in capital and O&M projects in the MSG, across several of the Company's military bases, primarily at the United States Military Academy at West Point, New York, Fort Belvoir and Joint Base Lewis-McChord and a $7 million increase in the CSG related to the contract with the City of Camden, New Jersey. These increases were partially offset by a $17 million year over year decrease at HOS due to the sale of the business in the fourth quarter of 2021.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Market-Based Businesses' operating and maintenance expense:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating supplies and services	$ 221	$ 148	$ 128
Maintenance materials and supplies	123	114	109
Employee-related costs	96	90	109
Production costs	22	21	29
Other	20	16	18
Total	$ 482	$ 389	$ 393

Operating Supplies and Services

In 2021, as compared to 2020, operating supplies and services increased $73 million primarily due to the $45 million pre-tax contribution to the AWCF authorized by the Company in 2021, costs associated with MSG from increased capital and O&M projects as discussed above and an increase in additional O&M costs related to CSG.

Maintenance Materials and Supplies

In 2021, as compared to 2020, maintenance materials and supplies increased $9 million primarily due to an increase in CSG related to the contract with the City of Camden, New Jersey and an increase in HOS due to contract growth and an increase in claims. These increases were partially offset by a decrease in HOS due to the sale of its business in the fourth quarter of 2021.

Employee-Related Costs

In 2021, as compared to 2020, employee-related costs increased $6 million primarily due to an increase in salaries and wages in MSG from the addition of new bases in the second half of 2020 and HOS for additional customer service costs to support the business.

Depreciation and Amortization

In 2021, as compared to 2020, depreciation and amortization decreased $4 million primarily due to lower intangible asset amortization expenses in HOS.

Gain or (Loss) on Sale of Businesses

During the fourth quarter of 2021, the Company recognized a pre-tax gain on sale of $748 million relating to the sale of HOS. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Provision for Income Taxes

In 2021, as compared to 2020, provision for income taxes increased $219 million primarily due to the sale of HOS. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Liquidity and Capital Resources

The Company uses its capital resources, including cash, primarily to (i) fund operating and capital requirements, (ii) pay interest and meet debt maturities, (iii) pay dividends, (iv) fund acquisitions, (v) fund pension and postretirement benefit obligations, and (vi) to pay federal income taxes, which the Company began to pay as a result of fully utilizing its NOL carryforward in 2021. The Company invests a significant amount of cash on regulated capital projects where it expects to earn a long-term return on investment. Additionally, the Company operates in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—*Regulation and Rate Making* for additional information. The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity in addition to the proceeds from the sales of HOS and the Company's New York subsidiary. If necessary, the Company may delay certain capital investments or other funding requirements, or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company regularly evaluates and monitors its cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. The Company's business is capital intensive, with a majority of this capital funded by cash flows from operations. When necessary, the Company also obtains funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings. In order to meet short-term liquidity needs, AWCC issues commercial paper that is supported by its revolving credit facility. The Company may also access the equity capital markets to support its capital funding requirements, as needed. The Company's access to external financing on reasonable terms depends on its credit ratings and current business conditions, including that of the utility and water utility industry in general, as well as conditions in the debt or equity capital markets, and the national and international economic and geopolitical arenas. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit the Company's ability to issue debt and equity securities in the capital markets.

If these unfavorable business, market, financial and other conditions deteriorate to the extent that the Company is no longer able to access the commercial paper and/or capital markets on reasonable terms, AWCC has access to an unsecured revolving credit facility that expires in March 2025 with aggregate bank commitments of $2.25 billion. The facility is used principally to fulfill the Company's short-term liquidity needs by supporting AWCC's $2.10 billion commercial paper program and to provide a sublimit of up to $150 million for letters of credit. Subject to satisfying certain conditions, the credit agreement permits AWCC to increase the maximum commitment under the facility by up to $500 million. As of December 31, 2021, AWCC had no outstanding borrowings and $76 million of outstanding letters of credit under its revolving credit facility, with $1.59 billion available to fulfill its short-term liquidity needs and to issue letters of credit.

To ensure adequate liquidity given the impacts of the COVID-19 pandemic on debt and capital markets, on March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). The net proceeds were used for general corporate purposes of AWCC and American Water and to provide additional liquidity. The Term Loan Facility commitments terminated at maturity on March 19, 2021, and the Term Loan Facility was repaid in full.

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all. See Credit Facilities and Short-Term Debt below for additional information.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. The Company's future cash flows from operating activities will be affected by, among other things: customers' ability to pay for service in a timely manner, economic utility regulation, inflation, compliance with environmental, health and safety standards, production costs, maintenance costs, customer growth, declining customer usage of water, employee-related costs, including pension funding, weather and seasonality, taxes, and overall economic conditions.

Operating cash flows can be negatively affected by changes in the Company's rate regulated environments, changes in the Market-Based Businesses, changes in the economy, interest rates, the timing of tax payments, and the Company's customers' ability to pay for service in a timely manner, among other items. The Company can provide no assurance that its customers' historical payment pattern will continue in the future. The Company's current liabilities may exceed current assets mainly from debt maturities due within one year and the use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, fund acquisitions and construction projects, as well as cash needs, which can fluctuate significantly due to the seasonality of the business and other factors. The Company addresses cash timing differences primarily through its short-term liquidity funding mechanisms.

Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

	For the Years Ended December 31,		
(In millions)	**2021**	**2020**	**2019**
Net income	$ 1,263	$ 709	$ 621
Add (less):			
Depreciation and amortization	636	604	582
Deferred income taxes and amortization of investment tax credits	230	207	208
Other non-cash activities (a)	(27)	—	4
Changes in working capital (b)	126	(49)	(5)
Settlement of cash flow hedges	—	(6)	(30)
Pension and non-pension postretirement benefit contributions	(40)	(39)	(31)
(Gain) or loss on sale of businesses	(747)	—	34
Net cash provided by operating activities	$ 1,441	$ 1,426	$ 1,383

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net, less the settlement of cash flow hedges.

In 2021, cash flows provided by operating activities increased $15 million, primarily due to an increase in net income, changes in working capital, primarily from an increase in accrued taxes, and an increase in depreciation and amortization due to additional utility plant placed in service from capital infrastructure investments. Partially offsetting these increases was the gain on sale of businesses, due to the gain on the sale of HOS.

The Company expects to make pension contributions to the plan trusts of $37 million in 2022. In addition, the Company estimates that contributions will amount to $35 million, $33 million, $30 million and $27 million in 2023, 2024, 2025 and 2026, respectively. Actual amounts contributed could change materially from these estimates as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

	For the Years Ended December 31,		
(In millions)	**2021**	**2020**	**2019**
Capital expenditures	$ (1,764)	$ (1,822)	$ (1,654)
Acquisitions, net of cash acquired	(135)	(135)	(235)
Proceeds from sale of assets, net of cash on hand	472	2	48
Removal costs from property, plant and equipment retirements, net	(109)	(106)	(104)
Net cash used in investing activities	$ (1,536)	$ (2,061)	$ (1,945)

In 2021, cash flows used in investing activities decreased $525 million primarily due to proceeds received from the sale of HOS and timing of payments for capital expenditures. The Company continues to invest across all infrastructure categories, mainly replacement and renewal of transmission and distribution and services, meter and fire hydrants infrastructure in the Company's Regulated Businesses, as discussed below.

The Company's infrastructure investment plan consists of both infrastructure renewal programs, where the Company replaces infrastructure, as needed, and major capital investment projects, where the Company constructs new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. The Company's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Presented in the table below is a summary of the Company's capital expenditures by category:

	For the Years Ended December 31,		
(In millions)	**2021**	**2020**	**2019**
Transmission and distribution	$ 749	$ 704	$ 661
Treatment and pumping	197	306	190
Services, meter and fire hydrants	366	333	346
General structure and equipment	251	299	234
Sources of supply	64	54	83
Wastewater	137	126	140
Total capital expenditures	$ 1,764	$ 1,822	$ 1,654

In 2021, the Company's capital expenditures decreased $58 million primarily due to a decrease in treatment and pumping and general structure and equipment infrastructure investment partially offset by increases in transmission and distribution and services, meter and fire hydrants infrastructure investment.

The Company also grows its business primarily through acquisitions of water and wastewater systems. These acquisitions are generally located in geographic proximity to the Company's existing Regulated Businesses and support continued geographical diversification and growth of its operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with long-term financing. During 2021, the Company paid $112 million for the acquisition of 23 water and wastewater systems, representing in the aggregate approximately 20,000 customers and paid $23 million in deposits for future acquisitions.

As previously noted, over the next five years the Company expects to invest between $13 billion to $14 billion, with $11.5 billion to $12 billion for infrastructure improvements in the Regulated Businesses, and the Company expects to invest between $28 billion to $32 billion over the next 10 years. In 2022, the Company expects to invest $2.5 billion, consisting of $2 billion for infrastructure improvements and $500 million for acquisitions in the Regulated Businesses.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Proceeds from long-term debt	$ 1,118	$ 1,334	$ 1,530
Repayments of long-term debt	(372)	(342)	(495)
(Repayments of) proceeds from term loan	(500)	500	—
Net short-term borrowings with maturities less than three months	(198)	(5)	(178)
Dividends paid	(428)	(389)	(353)
Anti-dilutive share repurchases	—	—	(36)
Other financing activities, net (a)	35	22	26
Net cash (used in) provided by financing activities	$ (345)	$ 1,120	$ 494

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, advances and contributions in aid of construction, net of refunds, and debt issuance costs and make-whole premiums on early debt redemption.

In 2021, cash flows provided by financing activities decreased $1,465 million, primarily due to the repayment in full at maturity of the $500 million Term Loan Facility during the first quarter of 2021, an increase in net repayments of commercial paper borrowings, higher dividends paid in 2021 and an increase in repayments of long-term debt due to the prepayment of $327 million in aggregate principal amount of AWCC's outstanding senior notes during the second quarter of 2021.

The Company's financing activities are primarily focused on funding regulated infrastructure expenditures, regulated acquisitions and payment of dividends. These activities included the issuance of long-term and short-term debt, primarily through AWCC. Based on the needs of the Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and parent company. The Regulated Businesses and parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. Parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2021, AWCC has made long-term fixed rate loans and commercial paper loans to the Regulated Businesses amounting to $6.7 billion. Additionally, as of December 31, 2021, AWCC has made long-term fixed rate loans and commercial paper loans to parent company amounting to $3.1 billion.

On May 10, 2021, AWCC completed a $1.1 billion debt offering, which included the sale of $550 million aggregate principal amount of its 2.30% Senior Notes due 2031 and $550 million aggregate principal amount of its 3.25% Senior Notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of $1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay $251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and $76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately $14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of $15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as swaps. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts (through AWCC) for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company minimizes the counterparty credit risk on these transactions by dealing only with leading, creditworthy financial institutions, having long-term credit ratings of "A" or better.

On May 10, 2021, the Company terminated two treasury lock agreements with an aggregate notional amount of $275 million, realizing a net gain of less than $1 million, to be amortized through interest, net over a ten-year period, in accordance with the terms of the new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2021 and 2020.

In February 2021, parent company and AWCC filed with the SEC a universal shelf registration statement that enables the Company to meet its capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration statement will expire in February 2024. During 2021, 2020 and 2019, $1.10 billion, $1.00 billion, and $1.10 billion, respectively, of debt securities were issued under this and predecessor registration statements.

Presented in the table below are the issuances of long-term debt in 2021:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC (a)	Senior notes—fixed rate	2.30%-3.25%	2.78%	2031-2051	$ 1,100
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.00%	0.04%	2022-2047	18
Total issuances					$ 1,118

(a) This indebtedness is considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness. See "—Issuer and Guarantor of Senior Notes" below.

Presented in the table below are the retirements and redemptions of long-term debt in 2021 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-6.55%	5.94%	2021-2031	$ 327
Other American Water subsidiaries	Private activity mortgage bonds	9.13%-9.69%	9.52%	2021	31
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.38%	2021-2048	13
Other American Water subsidiaries	Mandatory redeemable preferred stock	8.49%-8.49%	8.49%	2022-2022	1
Total retirements and redemptions					$ 372

From time to time and as market conditions warrant, the Company may engage in long-term debt retirements through make-whole redemptions, tender offers, open market repurchases or other viable alternatives.

Issuer and Guarantor of Senior Notes

The outstanding senior notes issued by AWCC, the wholly owned finance subsidiary of parent company, have been issued under two indentures, each by and between AWCC and Wells Fargo Bank, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the notes issued thereunder. The senior notes also have been issued with the benefit of a support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under the senior notes. No other subsidiary of parent company provides guarantees for any of the outstanding senior notes. If AWCC is unable to make timely payment of any interest, principal or premium, if any, on such senior notes, parent company will provide to AWCC, at its request or the request of any holder of such senior notes, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any holder of such senior notes, when due, the support agreement provides that the holder may proceed directly against parent company to enforce such rights or to obtain payment of the defaulted amounts owed to that holder.

As a wholly owned finance subsidiary of parent company, AWCC has no significant assets other than obligations of parent company and certain of its subsidiaries in its Regulated Businesses segment to repay certain intercompany loans made to them by AWCC. AWCC's ability to make payments of amounts owed to holders of the senior notes will be dependent upon AWCC's receipt of sufficient payments of amounts owed pursuant to the terms of such intercompany loans and from its ability to issue indebtedness or otherwise obtain loans in the future, the proceeds of which would be used to fund the repayment of the senior notes.

Because parent company is a holding company and substantially all of its operations are conducted through its subsidiaries other than AWCC, parent company's ability to fulfill its obligations under the support agreement will be dependent upon its receipt of sufficient cash dividends or distributions from its operating subsidiaries. See Note 10—Shareholders' Equity—Dividends and Distributions, in the Notes to the Consolidated Financial Statements for a summary of the limitations on parent company and its subsidiaries to pay dividends or make distributions. Furthermore, parent company's operating subsidiaries are separate and distinct legal entities and, other than AWCC, have no obligation to make any payments on the senior notes or to make available or provide any funds for such payment, other than through their repayment obligations under intercompany loans, if any, with AWCC. Based on the foregoing, parent company's obligations under the support agreement will be effectively subordinated to all indebtedness and other liabilities, including trade payables, lease commitments and moneys borrowed or other indebtedness incurred or issued by parent company's subsidiaries other than AWCC.

Credit Facilities and Short-Term Debt

Interest rates on advances under the Company's revolving credit facility are based on a credit spread to the LIBOR rate (or applicable market replacement rate) or base rate in accordance with Moody Investors Service's and Standard & Poor's Financial Services' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt. The facility is used principally to support AWCC's commercial paper program and to provide up to $150 million in letters of credit. Indebtedness under the facility and AWCC's commercial paper are considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations thereunder.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2021		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	$ 1,516	$ 74	$ 1,590

(a) Total remaining availability of $1.59 billion as of December 31, 2021 may be accessed through revolver draws.

	2020		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	$ 1,314	$ 74	$ 1,388

(a) Total remaining availability may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2021 and 2020:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2021	$ 116	$ 1,590	$ 1,706
Available liquidity as of December 31, 2020	547	1,388	1,935

The weighted average interest rate on AWCC short-term borrowings, including as of December 31, 2020, $500 million of outstanding principal on the Term Loan Facility, was approximately 0.25% and 1.16%, for the years ended December 31, 2021 and 2020, respectively.

Capital Structure

Presented in the table below is the percentage of the Company's capitalization represented by the components of its capital structure as of December 31:

	2021	2020	2019
Total common shareholders' equity	39.9 %	37.1 %	39.2 %
Long-term debt and redeemable preferred stock at redemption value	56.6 %	53.6 %	55.6 %
Short-term debt and current portion of long-term debt	3.5 %	9.3 %	5.2 %
Total	100 %	100 %	100 %

The changes in the capital structure mix between periods were mainly attributable to the impacts of the HOS sale, repayment of the Term Loan Facility at maturity on March 19, 2021, and the Company's long-term debt offering that was completed on May 10, 2021.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2021, the Company's ratio was 0.60 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of February 16, 2022 as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. None of the Company's borrowings are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, energy, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends and Regulatory Restrictions

For discussion of the Company's dividends, dividend restrictions and dividend policy, see Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Insurance Coverage

The Company carries various property, casualty, cyber and financial insurance policies with limits, deductibles and exclusions that it believes are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience which in turn can impact coverage terms and conditions on a going-forward basis. The Company is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on the Company's short-term and long-term financial condition and its results of operations and cash flows.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and make estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and judgments applied to these accounting policies could have a significant impact on the Company's financial condition, results of operations and cash flows, as reflected in the Company's Consolidated Financial Statements. Management has reviewed the critical accounting polices described below with the Company's Audit, Finance and Risk Committee, including the estimates, assumptions and judgments used in their application. Additional discussion regarding these critical accounting policies and their application can be found in Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements.

Regulation and Regulatory Accounting

The Company's regulated utilities are subject to regulation by PUCs and, as such, the Company follows the authoritative accounting principles required for rate regulated utilities, which requires the Company to reflect the effects of rate regulation in its Consolidated Financial Statements. Use of this authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2021, the Company concluded that the operations of its utilities met the criteria.

Application of this authoritative guidance has a further effect on the Company's financial statements as it pertains to allowable costs used in the ratemaking process. The Company makes significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgments include, but are not limited to, assets and liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation rates and taxes. Due to timing and other differences in the collection of revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the principles require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers.

For each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable future recovery or probable future settlement, the Company's Consolidated Statements of Operations and financial position could be materially affected. In addition, if the Company concludes in a future period that a separable portion of the business no longer meets the criteria, the Company is required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the Consolidated Financial Statements. Failure to meet the criteria of this authoritative guidance could materially impact the Company's Consolidated Financial Statements.

As of December 31, 2021 and 2020, the Company's regulatory asset balance was $1.1 billion and its regulatory liability balance was $1.6 billion and $1.8 billion, respectively. See Note 4—Regulatory Matters in the Notes to Consolidated Financial Statements for further information regarding the Company's significant regulatory assets and liabilities.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of NOL carryforwards.

In accordance with applicable authoritative guidance, the Company accounts for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

The Company evaluates the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and its intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. The Company also assesses its ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. The Company records valuation allowances for deferred tax assets when it concludes that it is more-likely-than-not such benefit will not be realized in future periods.

Under GAAP, specifically Accounting Standards Codification Topic 740, *Income Taxes* ("ASC 740"), the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment of the TCJA, the Company's deferred taxes were re-measured based upon the new tax rate. For the Company's regulated entities, the change in deferred taxes are recorded as either an offset to a regulatory asset or a regulatory liability and may be subject to refund to customers. For the Company's unregulated operations, the change in deferred taxes are recorded as a non-cash re-measurement adjustment to earnings.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations, failure to successfully implement tax planning strategies and recovery of taxes through the regulatory process for the Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. The resulting tax balances as of December 31, 2021 and 2020 are appropriately accounted for in accordance with the applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to the Consolidated Financial Statements and such adjustments could be material. See Note 15—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared service operations. See Note 16—Employee Benefits in the Notes to Consolidated Financial Statements for additional information regarding the description of and accounting for the defined benefit pension plans and postretirement benefit plans.

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- Discount Rate—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.
- Expected Return on Plan Assets ("EROA")—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs the Company records currently.
- Rate of Compensation Increase—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement.
- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care.
- Mortality— Management adopted the Society of Actuaries Pri-2012 mortality base table, the most recent table developed from private pension plan experience, which provides rates of mortality in 2012 and adopted the new MP-2021 mortality improvement scale to gradually adjust future mortality rates downward due to increased longevity in each year after 2012.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The discount rate for determining pension benefit obligations was 2.94%, 2.74% and 3.44% at December 31, 2021, 2020 and 2019, respectively. The discount rate for determining other postretirement benefit obligations was 2.90%, 2.56% and 3.36% at December 31, 2021, 2020 and 2019, respectively.

In selecting an EROA, the Company considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The long-term EROA assumption used in calculating pension cost was 6.50% for 2021, 6.50% for 2020, and 6.20% for 2019. The weighted average EROA assumption used in calculating other postretirement benefit costs was 3.67% for 2021, 3.68% for 2020 and 3.56% for 2019.

Presented in the table below are the allocations of the pension plan assets by asset category:

		Percentage of Plan Assets as of December 31,	
Asset Category	2022 Target Allocation	2021	2020
Equity securities	43 %	46 %	49 %
Fixed income	50 %	47 %	45 %
Real Estate	5 %	7 %	6 %
Real estate investment trusts ("REITs")	2 %	— %	— %
Total	100 %	100 %	100 %

Postretirement Medical Bargaining Plan Changes

On August 31, 2018, the Postretirement Medical Benefit Plan was remeasured as a result of an announced plan amendment which changed benefits for certain union and non-union plan participants. The plan change resulted in a $175 million reduction in future benefits payable to plan participants, and, in combination with other experience reflected as of the remeasurement date, resulted in a $227 million reduction to the net accumulated postretirement benefit obligation. As of December 31, 2021, the remaining amortization period of the impact of the plan amendment is 6.9 years. As a result of the remeasurement and change in funded status, the Company decreased the investment risk in the plan and reduced its exposure to changes in interest rates by matching the assets of the plan to the projected cash flows for future benefit payments of the liability. Plan assets in excess of those securities designed to match the long-term liabilities are invested in shorter duration fixed income securities and equities.

Presented in the table below are the allocations of the other postretirement benefit plan assets by asset category:

		Percentage of Plan Assets as of December 31,	
Asset Category	2022 Target Allocation (a)	2021	2020
Equity securities	18 %	22 %	18 %
Fixed income	82 %	78 %	82 %
Total	100 %	100 %	100 %

(a) Includes the American Water Postretirement Medical Benefits Bargaining Plan, the American Water Postretirement Medical Benefits Non-Bargaining Plan, and the American Water Life Insurance Trust.

The investments of the pension and postretirement welfare plan trusts include debt and equity securities held either directly or through mutual funds, commingled funds and limited partnerships. The trustee for the Company's defined benefit pension and postretirement welfare plans uses an independent valuation firm to calculate the fair value of plan assets.

In selecting a rate of compensation increase, the Company considers past experience in light of movements in inflation rates. The Company's rate of compensation increase was 3.51% for 2021, 3.51% for 2020 and 2.97% for 2019.

In selecting health care cost trend rates, the Company considers past performance and forecasts of increases in health care costs. As of January 1, 2021, the Company's health care cost trend rate assumption used to calculate the periodic cost was 6.25% in 2021 gradually declining to 5.00% in 2026 and thereafter. As of December 31, 2021, the Company projects that medical inflation will be 6.00% in 2022 gradually declining to 5.00% in 2026 and thereafter.

The Company will use a discount rate and EROA of 2.94% and 6.50%, respectively, for estimating its 2022 pension costs. Additionally, the Company will use a discount rate and expected blended return based on weighted assets of 2.90% and 3.60%, respectively, for estimating its 2022 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase the Company's pension expense. The Company's 2021 pension and postretirement benefit credit was $41 million and the 2020 pension and postretirement benefit credit was $14 million. The Company expects to make pension contributions to the plan trusts of $37 million in 2022, and $35 million, $33 million, $30 million and $27 million in 2023, 2024, 2025 and 2026, respectively. Actual amounts contributed could change significantly from these estimates. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards.

Revenue Recognition

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis, and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for the Company's regulated utilities as of December 31, 2021 and 2020 was $162 million and $150 million, respectively.

The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Revenue from the Company's former HOS business was generated through various protection programs in which the Company provided fixed fee services to domestic homeowners and smaller commercial customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters, power surge protection and other related services. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

The Company also has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue for the Market-Based Businesses as of December 31, 2021 and 2020 was $86 million and $56 million, respectively.

Accounting for Contingencies

The Company records loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss or a range of losses can be reasonably estimated. The determination of a loss contingency is based on management's judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limited to: the nature of the litigation, claim or assessment, review of applicable law, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. The Company provides disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. The Company provides estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement or other resolution of loss contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the Consolidated Financial Statements. See Note 17—Commitments and Contingencies in the Notes to Consolidated Financial Statements for additional information regarding contingencies.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. The Company is exposed to risks from changes in interest rates as a result of its issuance of variable and fixed rate debt and commercial paper. The Company manages its interest rate exposure by limiting its variable rate exposure and by monitoring the effects of market changes in interest rates. The Company also has the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2021, a hypothetical increase of interest rates by 1% associated with the Company's short-term borrowings would result in a $8 million increase in short-term interest expense.

The Company's risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on the Company's results of operations, financial position and cash flows.

The market price of the Company's common stock may experience fluctuations, which may be unrelated to its operating performance. In particular, the Company's stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for the Company to access the capital markets in the future through additional offerings of its common stock or other equity securities, regardless of its financial performance, and such difficulty may preclude the Company from being able to take advantage of certain business opportunities or meet business obligations.

The Company is exposed to credit risk through its water, wastewater and other water-related services provided by the Regulated Businesses and Market-Based Businesses. The Company's Regulated Businesses serve residential, commercial, industrial and other customers, while the Market-Based Businesses engage in business activities with developers, government entities and other customers. The Company's primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. The Company's credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. The Company's credit portfolio is diversified with no significant customer or industry concentrations. In addition, the Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company's retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset values can impact the Company's pension and other benefits expense, funded status and future minimum funding requirements. Changes in interest rates can impact retirement liabilities. The Company aims to reduce risk through asset diversification and by investing in long duration fixed-income securities that have a duration similar to that of its pension liabilities, seeking to hedge some of the interest rate sensitivity of its liabilities. That way, if interest rates fall and liabilities increase, the Company expects that the fixed-income assets in its retirement trust will also increase in value. The Company also expects its risk to be reduced through its ability to recover pension and other benefit costs through rates.

The Company is also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which it operates. The credit quality of the Company's customer accounts receivable is dependent on the economy and the ability of its customers to manage through unfavorable economic cycles and other market changes. In addition, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, the Company's ability to fully recover operating expense, recover its investment and provide an appropriate return on invested capital made in the Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 4 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were $1,067 million and $1,608 million, respectively, as of December 31, 2021. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

The principal considerations for our determination that performing procedures relating to accounting for the effects of rate regulation is a critical audit matter are the significant judgment by management in accounting for regulatory assets and liabilities relative to whether regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement as a result of changes in regulatory environments, recent rate orders, and the status of any pending or potential legislation. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence obtained relating to management's judgments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's regulatory accounting process, including controls over management's assessment and consideration of factors related to the probability of future recovery or settlement. These procedures also included, among others, evaluating the reasonableness of management's judgments regarding the probability of recovery and settlement based on the Company's correspondence with regulators, status of regulatory proceedings, past practices, and other relevant information; evaluating the related accounting and disclosure implications; and evaluating regulatory assets and liabilities balances based on provisions and formulas outlined in rate orders and other correspondence with the Company's regulators.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 16, 2022

We have served as the Company's auditor since 1948.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2021	December 31, 2020
ASSETS		
Property, plant and equipment	$ 27,413	$ 25,614
Accumulated depreciation	(6,329)	(5,904)
Property, plant and equipment, net	21,084	19,710
Current assets:		
Cash and cash equivalents	116	547
Restricted funds	20	29
Accounts receivable, net of allowance for uncollectible accounts of $75 and $60, respectively	271	321
Unbilled revenues	248	206
Materials and supplies	57	47
Assets held for sale	683	629
Other	159	127
Total current assets	1,554	1,906
Regulatory and other long-term assets:		
Regulatory assets	1,051	1,127
Seller promissory note from the sale of the Homeowner Services Group	720	—
Operating lease right-of-use assets	92	95
Goodwill	1,139	1,504
Postretirement benefit assets	193	173
Intangible assets	—	55
Other	242	196
Total regulatory and other long-term assets	3,437	3,150
Total assets	$ 26,075	$ 24,766

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2021	December 31, 2020
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 186,880,413 and 186,466,707 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	6,781	6,747
Retained earnings	925	102
Accumulated other comprehensive loss	(45)	(49)
Treasury stock, at cost (5,269,324 and 5,168,215 shares, respectively)	(365)	(348)
Total common shareholders' equity	7,298	6,454
Long-term debt	10,341	9,329
Redeemable preferred stock at redemption value	3	4
Total long-term debt	10,344	9,333
Total capitalization	17,642	15,787
Current liabilities:		
Short-term debt	584	1,282
Current portion of long-term debt	57	329
Accounts payable	235	189
Accrued liabilities	701	591
Accrued taxes	176	50
Accrued interest	88	88
Liabilities related to assets held for sale	83	137
Other	217	215
Total current liabilities	2,141	2,881
Regulatory and other long-term liabilities:		
Advances for construction	284	270
Deferred income taxes and investment tax credits	2,421	2,113
Regulatory liabilities	1,600	1,770
Operating lease liabilities	80	81
Accrued pension expense	285	388
Other	180	83
Total regulatory and other long-term liabilities	4,850	4,705
Contributions in aid of construction	1,442	1,393
Commitments and contingencies (See Note 17)		
Total capitalization and liabilities	$ 26,075	$ 24,766

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations
(In millions, except per share data)

	For the Years Ended December 31,		
	2021	2020	2019
Operating revenues	$ 3,930	$ 3,777	$ 3,610
Operating expenses:			
Operation and maintenance	1,777	1,622	1,544
Depreciation and amortization	636	604	582
General taxes	321	303	280
Other	—	—	(10)
Total operating expenses, net	2,734	2,529	2,396
Operating income	1,196	1,248	1,214
Other income (expense):			
Interest expense	(403)	(397)	(386)
Interest income	4	2	4
Non-operating benefit costs, net	78	49	16
Gain or (loss) on sale of businesses	747	—	(44)
Other, net	18	22	29
Total other income (expense)	444	(324)	(381)
Income before income taxes	1,640	924	833
Provision for income taxes	377	215	212
Net income attributable to common shareholders	$ 1,263	$ 709	$ 621
Basic earnings per share: (a)			
Net income attributable to common shareholders	$ 6.96	$ 3.91	$ 3.44
Diluted earnings per share: (a)			
Net income attributable to common shareholders	$ 6.95	$ 3.91	$ 3.43
Weighted average common shares outstanding:			
Basic	182	181	181
Diluted	182	182	181

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2021	2020	2019
Net income attributable to common shareholders	$ 1,263	$ 709	$ 621
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of $0, $(4) and $3 in 2021, 2020 and 2019, respectively	(1)	(12)	8
Defined benefit pension plan actuarial loss, net of tax of $1, $1 and $1 in 2021, 2020 and 2019, respectively	4	3	4
Foreign currency translation adjustment	—	—	(1)
Unrealized gain (loss) on cash flow hedges, net of tax of $1, $(1) and $(5) in 2021, 2020 and 2019, respectively	1	(4)	(13)
Net other comprehensive income (loss)	4	(13)	(2)
Comprehensive income attributable to common shareholders	$ 1,267	$ 696	$ 619

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2021	**2020**	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 1,263	$ 709	$ 621
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	636	604	582
Deferred income taxes and amortization of investment tax credits	230	207	208
Provision for losses on accounts receivable	37	34	28
(Gain) or loss on sale of businesses	(747)	—	34
Pension and non-pension postretirement benefits	(41)	(14)	17
Other non-cash, net	(23)	(20)	(41)
Changes in assets and liabilities:			
Receivables and unbilled revenues	(74)	(97)	(25)
Pension and non-pension postretirement benefit contributions	(40)	(39)	(31)
Accounts payable and accrued liabilities	66	(2)	66
Other assets and liabilities, net	134	44	(76)
Net cash provided by operating activities	1,441	1,426	1,383
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,764)	(1,822)	(1,654)
Acquisitions, net of cash acquired	(135)	(135)	(235)
Proceeds from sale of assets, net of cash on hand	472	2	48
Removal costs from property, plant and equipment retirements, net	(109)	(106)	(104)
Net cash used in investing activities	(1,536)	(2,061)	(1,945)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	1,118	1,334	1,530
Repayments of long-term debt	(372)	(342)	(495)
(Repayments of) proceeds from term loan	(500)	500	—
Net short-term borrowings with maturities less than three months	(198)	(5)	(178)
(Remittances) proceeds from issuances of employee stock plans and direct stock purchase plan, net of taxes paid of $18, $17 and $11 in 2021, 2020 and 2019, respectively	(1)	9	15
Advances and contributions in aid of construction, net of refunds of $25, $24 and $30 in 2021, 2020 and 2019, respectively	62	28	26
Debt issuance costs and make-whole premium on early debt redemption	(26)	(15)	(15)
Dividends paid	(428)	(389)	(353)
Anti-dilutive share repurchases	—	—	(36)
Net cash (used in) provided by financing activities	(345)	1,120	494
Net (decrease) increase in cash, cash equivalents and restricted funds	(440)	485	(68)
Cash, cash equivalents and restricted funds at beginning of period	576	91	159
Cash, cash equivalents and restricted funds at end of period	$ 136	$ 576	$ 91
Cash paid during the year for:			
Interest, net of capitalized amount	$ 389	$ 382	$ 383
Income taxes, net of refunds of $6, $2 and $4 in 2021, 2020 and 2019, respectively	$ 1	$ 7	$ 12
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	$ 292	$ 221	$ 235
Seller promissory note from the sale of the Homeowner Services Group	$ 720	$ —	$ —
Contingent cash payment from the sale of the Homeowner Services Group	$ 75	$ —	$ —

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity
(In millions, except per share data)

	Common Stock					Treasury Stock		
	Shares	Par Value	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Shares	At Cost	Total Shareholders' Equity
Balance as of December 31, 2018	185.4	$ 2	$ 6,657	$ (464)	$ (34)	(4.7)	$ (297)	$ 5,864
Cumulative effect of change in accounting principle	—	—	—	(2)	—	—	—	(2)
Net income attributable to common shareholders	—	—	—	621	—	—	—	621
Common stock issuances (a)	0.5	—	43	—	—	(0.1)	(5)	38
Repurchases of common stock	—	—	—	—	—	(0.3)	(36)	(36)
Net other comprehensive income	—	—	—	—	(2)	—	—	(2)
Dividends ($2.00 declared per common share)	—	—	—	(362)	—	—	—	(362)
Balance as of December 31, 2019	185.9	$ 2	$ 6,700	$ (207)	$ (36)	(5.1)	$ (338)	$ 6,121
Net income attributable to common shareholders	—	—	—	709	—	—	—	709
Common stock issuances (a)	0.6	—	47	—	—	(0.1)	(10)	37
Net other comprehensive income	—	—	—	—	(13)	—	—	(13)
Dividends ($2.20 declared per common share)	—	—	—	(400)	—	—	—	(400)
Balance as of December 31, 2020	186.5	$ 2	$ 6,747	$ 102	$ (49)	(5.2)	$ (348)	$ 6,454
Net income attributable to common shareholders	—	—	—	1,263	—	—	—	1,263
Common stock issuances (a)	0.4	—	34	—	—	(0.1)	(17)	17
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends ($2.41 declared per common share)	—	—	—	(440)	—	—	—	(440)
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements
(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the "Company" or "American Water") is a holding company for regulated and market-based subsidiaries that provide water and wastewater services throughout the United States. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries. The Company's primary business involves the ownership of regulated utilities that provide water and wastewater services in 14 states in the United States, collectively referred to as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services within non-reportable operating segments, collectively referred to as the "Market-Based Businesses." The Company's primary Market-Based Businesses include the Military Services Group ("MSG"), which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations; and the former Homeowner Services Group ("HOS"), which provided various warranty protection programs and other home services to residential customers.

Note 2: Significant Accounting Policies

Regulation

The Company's regulated utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions ("PUCs"). As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's Consolidated Financial Statements. PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also approve accounting treatments, long-term financing programs and cost of capital, operation and maintenance ("O&M") expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers, acquisitions and dispositions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility's revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, these principles also require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 4—Regulatory Matters for additional information.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires that management make estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. The Company considers its critical accounting estimates to include (i) the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities, (ii) revenue recognition and the estimates used in the calculation of unbilled revenue, (iii) accounting for income taxes, (iv) benefit plan assumptions and (v) the estimates and judgments used in determining loss contingencies. The Company's critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, income taxes, benefit plan assumptions and contingency-related obligations.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany balances and transactions.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant utilized by the Company's regulated utilities. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction ("AFUDC"). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of utility plant is depreciated using the straight-line average remaining life, group method. The Company's regulated utilities record depreciation in conformity with amounts approved by PUCs, after regulatory review of the information the Company submits to support its estimates of the assets' remaining useful lives.

Nonutility property consists primarily of buildings and equipment utilized by the Company's Market-Based Businesses and for internal operations. This property is stated at cost, net of accumulated depreciation, which is calculated using the straight-line method over the useful lives of the assets.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs amounted to $374 million and $360 million as of December 31, 2021 and 2020, respectively.

Cash and Cash Equivalents, and Restricted Funds

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted funds consist primarily of proceeds from financings for the construction and capital improvement of facilities, and deposits for future services under O&M projects. Proceeds are held in escrow or interest-bearing accounts until the designated expenditures are incurred. Restricted funds are classified on the Consolidated Balance Sheets as either current or long-term based upon the intended use of the funds.

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers generally on a monthly basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are market-based trade accounts receivable and nonutility customer receivables of the regulated subsidiaries. Unbilled revenues are accrued when service has been provided but has not been billed to customers and when costs exceed billings on market-based construction contracts.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. An increase in the allowance for uncollectible accounts for the periods ending December 31, 2021 and 2020 reflects the impacts from the COVID-19 pandemic, including an increase in uncollectible accounts expense and a reduction in amounts written off due to shutoff moratoria in place across the Company's subsidiaries. See Note 8—Allowance for Uncollectible Accounts for additional information.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Seller Promissory Note

The Company's seller promissory note is accounted for under ASC 310, Receivables, and is classified as held for investment and accounted for at amortized cost at the present value of consideration received for the sale of its HOS business. Interest income from the seller promissory note is accrued based on the principal amount outstanding and earned over the contractual life of the loan.

Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued liabilities and operating lease liabilities on the Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, accrued liabilities and other long-term liabilities on the Consolidated Balance Sheets. The Company has made an accounting policy election not to include operating leases with a lease term of twelve months or less.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of discounted lease payments. The implicit rate is used when readily determinable. ROU assets also include any upfront lease payments and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g., common-area maintenance costs), which are generally accounted for separately; however, the Company accounts for the lease and non-lease components as a single lease component for certain leases. Certain lease agreements include variable rental payments adjusted periodically for inflation. Additionally, the Company applies a portfolio approach to effectively account for the ROU assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized and must be allocated at the reporting unit level, which is defined as an operating segment or one level below, and tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying value.

The Company's goodwill is primarily associated with the acquisition of American Water by an affiliate of the Company's previous owner in 2003 and has been allocated to reporting units based on the fair values at the date of the acquisitions. For purposes of testing goodwill for impairment, the reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The goodwill of the Market-Based Businesses is comprised of the MSG reporting unit.

The Company's annual impairment testing is performed as of November 30 of each year, in conjunction with the completion of the Company's annual business plan. The Company assesses qualitative factors to determine whether quantitative testing is necessary. If it is determined, based upon qualitative factors, that the estimated fair value of a reporting unit is more likely than not, greater than its carrying value, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment and determines that the estimated fair value of a reporting unit is more likely than not, less than its carrying value, a quantitative, fair value-based assessment is performed. This quantitative testing compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. An impairment loss will be recognized in the amount equal to the excess of the reporting unit's carrying value compared to its estimated fair value, limited to the total amount of goodwill allocated to that reporting unit.

Application of goodwill impairment testing requires management judgment, including the identification of reporting units and determining the fair value of reporting units. Management estimates fair value using a discounted cash flow analysis. Significant assumptions used in these fair value estimations include, but are not limited to, forecasts of future operating results, discount and growth rates.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate, however, if actual experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements. See Note 9—Goodwill and Other Intangible Assets for additional information.

Intangible Assets

Intangible assets consisted primarily of finite-lived customer relationships associated with the acquisition of Pivotal Home Solutions in June 2018. Finite-lived intangible assets were initially measured at their estimated fair values and were amortized over their estimated useful lives based on the pattern in which the economic benefits of the intangible assets were consumed or otherwise used. See Note 9—Goodwill and Other Intangible Assets for additional information. All of the Company's finite-lived intangible assets were sold as part of the HOS sale transaction.

Impairment of Long-Lived Assets

Long-lived assets include property, plant and equipment, goodwill, intangible assets and long-term investments. The Company evaluates long-lived assets for impairment when circumstances indicate the carrying value of those assets may not be recoverable. When such indicators arise, the Company estimates the fair value of the long-lived asset from future cash flows expected to result from its use and, if applicable, the eventual disposition of the asset, comparing the estimated fair value to the carrying value of the asset. An impairment loss will be recognized in the amount equal to the excess of the long-lived asset's carrying value compared to its estimated fair value.

The long-lived assets of the Company's regulated utilities are grouped on a separate entity basis for impairment testing, as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company believes the assumptions and other considerations used to value long-lived assets to be appropriate, however, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2021 and 2020 on the Consolidated Balance Sheets are estimated refunds of $23 million and $23 million, respectively. Those amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions. Contributions are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was $36 million, $32 million and $29 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Revenue Recognition

Under Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers,* and all related amendments (collectively, "ASC 606"), a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under ASC 606, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether any performance obligations are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Regulated Businesses Revenue

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Market-Based Businesses Revenue

The Company has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. See Note 5—Revenue Recognition for additional information.

Through various warranty protection programs and other home services, the Company previously provided fixed fee services to residential customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters and other home appliances, as well as power surge protection and other related services through its former HOS business. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

Income Taxes

The Company and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis. See Note 15—Income Taxes for additional information.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest, net on the Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in other, net on the Consolidated Statements of Operations. Presented in the table below is AFUDC for the years ended December 31:

	2021	2020	2019
Allowance for other funds used during construction	$ 27	$ 30	$ 28
Allowance for borrowed funds used during construction	10	13	13

Environmental Costs

The Company's water and wastewater operations and the operations of its Market-Based Businesses are subject to U.S. federal, state, local and foreign requirements relating to environmental protection, and as such, the Company periodically becomes subject to environmental claims in the normal course of business. Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued, on an undiscounted basis, when it is probable that these costs will be incurred and can be reasonably estimated. A conservation agreement entered into by a subsidiary of the Company with the National Oceanic and Atmospheric Administration in 2010 and amended in 2017 required the subsidiary to, among other provisions, implement certain measures to protect the steelhead trout and its habitat in the Carmel River watershed in the State of California. The subsidiary agreed to pay $1 million annually commencing in 2010 with the final payment made in 2021. No remediation costs were accrued as of December 31, 2021 and $1 million was accrued as of December 31, 2020.

Derivative Financial Instruments

The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company may designate the derivative as a hedge of the fair value of a recognized asset or liability (fair-value hedge) or a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

Changes in the fair value of a fair-value hedge, along with the gain or loss on the underlying hedged item, are recorded in current-period earnings. The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities on the Consolidated Statements of Cash Flows. See Note 12—Long-Term Debt for additional information.

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2021:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Facilitation of the Effects of Reference Rate Reform on Financial Reporting	Provided optional guidance for a limited time to ease the potential accounting burden associated with the transition from London Interbank Offered Rate ("LIBOR"). The guidance contains optional expedients and exceptions for contract modifications, hedging relationships, and other transactions that reference LIBOR or other reference rates expected to be discontinued. The expedients elected must be applied for all eligible contracts or transactions, with the exception of hedging relationships, which can be applied on an individual basis.	March 12, 2020 through December 31, 2022	Prospective for contract modifications and hedging relationships; applied as of January 1, 2020.	The standard did not have a material impact on the Consolidated Financial Statements.
Simplifying the Accounting for Income Taxes	The guidance removes exceptions related to the incremental approach for intraperiod tax allocation, the requirement to recognize a deferred tax liability for changes in ownership of a foreign subsidiary or equity method investment, and the general methodology for calculating income taxes in an interim period when the year-to-date loss exceeds the anticipated loss. The guidance adds requirements to reflect changes to tax laws or rates in the annual effective tax rate computation in the interim period in which the changes were enacted, to recognize franchise or other similar taxes that are partially based on income as an income-based tax and any incremental amounts as non-income-based tax, and to evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction.	January 1, 2021	Modified retrospective for amendments related to changes in ownership of a foreign subsidiary or equity method investment; Modified retrospective or retrospective for amendments related to taxes partially based on income; Prospective for all other amendments.	The standard did not have a material impact on the Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2021:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022	Either modified retrospective or fully retrospective	The Company anticipates the adoption of the standard will not have a material impact on its Consolidated Financial Statements.
Disclosures by Business Entities about Government Assistance	The amendments in this update requires additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about these government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies	January 1, 2022	Either prospective or retrospective	The Company is evaluating any impact on its Consolidated Financial Statements.
Accounting for Contract Asset and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606 as if it had originated the contracts.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation. The Company reclassified $44 million relating to loss on the sale of Keystone Clearwater Solutions, LLC in 2019 from operating expenses to other income (expenses) included in Gain or (loss) on sale of businesses on the Consolidated Statements of Operations.

Note 3: Impact of the COVID-19 Pandemic

American Water continues to monitor the COVID-19 pandemic and has experienced financial impacts since the start of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental O&M expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as "financial impacts."

As of February 16, 2022, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 13 jurisdictions. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California's Catastrophic Event Memorandum Account allows the Company's California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO

The Company's Pennsylvania subsidiary filed for a request with the Pennsylvania Public Utility Commission (the "PaPUC") to defer as a regulatory asset all identified COVID-19 financial impacts. On September 15, 2021, the PaPUC issued an order approving the Company's request to defer, with carrying costs, incremental uncollectible expense and other incremental costs net of savings attributed to the COVID-19 pandemic. The PaPUC order denied the request to include lost revenues attributed to the waiver of late fees and reconnect fees and expenses associated with additional interest costs. Additionally, the PaPUC order approved the request to allow for the continuation of the deferral of financial impacts, rejecting proposals from the intervening parties to define an end date to the deferral in 2021. As a result of the order discussed above, the Company recorded a net $7 million reduction to its regulatory assets and corresponding impacts to revenue, interest expense and uncollectible expense during the third quarter of 2021. The Company continues to evaluate options within its next base rate case to address these denied items and the resulting financial impact.

On July 28, 2021, the Company's Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General, which reflected agreement on the deferral of COVID-19-related financial impacts through April 30, 2021. On August 9, 2021, the Tennessee Public Utility Commission denied the stipulation and settlement agreement and moved to address the Company's Tennessee subsidiary's petition to defer the COVID-19 financial impacts in a future hearing. On August 26, 2021, the Company's Tennessee subsidiary filed a motion to withdraw its pending petition, preserving its right to seek recovery of the COVID-19 financial impacts in a future proceeding.

In December 2020, the Kentucky Public Service Commission issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic.

Consistent with these regulatory orders, the Company has recorded $36 million in regulatory assets and $6 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of December 31, 2021.

As of February 16, 2022, one state, New Jersey, continues moratoria until March 15, 2022, on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in 12 states.

Note 4: Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of the excess accumulated deferred income taxes ("EADIT") that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate cases authorizations that became effective during 2019 through 2021:

(In millions)	2021	2020	2019
General rate cases by state (a):			
Iowa (effective October 11, 2021)	$ 1	$ —	$ —
Missouri (effective May 28, 2021)	22	—	—
Pennsylvania (effective January 28, 2021)	70	—	—
California (effective January 1, 2021, January 1, 2020 and May 11, 2019)	22	5	4
New Jersey (effective November 1, 2020)	—	54	—
Indiana (effective May 1, 2020 and July 1, 2019)	—	13	4
Kentucky (effective June 28, 2019)	—	—	13
West Virginia (effective February 25, 2019)	—	—	19
Maryland (effective February 5, 2019)	—	—	1
Total general rate case authorizations	$ 115	$ 72	$ 41

(a) Excludes authorized increases of $7 million and $4 million in 2021 and 2019, respectively, for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures for additional information.

On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which is retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of $22 million, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The EADIT reduction in revenues is $4 million and is offset by a like reduction in income tax expense. On January 18, 2022, the Company's California subsidiary filed for approval of $13 million in 2022 escalation increases, excluding $4 million of reductions related to the TCJA. This filing, which is retroactive to January 1, 2022, is subject to CPUC approval with a 45-day review period.

On June 28, 2021, an order was issued authorizing an increase of $1 million in the general rate case filed by the Company's Iowa subsidiary in 2020. The Company's Iowa subsidiary filed tariffs consistent with the order on September 23, 2021. Effective October 11, 2021, the Iowa Utilities Board approved the tariffs and implemented the new rates.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of $22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is $25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of $72 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of $74 million is being returned to customers over 10 years. The $25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of $13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. A scheduling order was issued on October 18, 2021 establishing a briefing schedule through March 2022. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of $90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is $19 million. The overall increase, net of TCJA reductions, is $71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of $70 million ($51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of $20 million. The protected EADIT balance of $200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of $116 million is being returned to customers over 20 years. The $19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of $11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting $71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On January 14, 2022, the Company's New Jersey subsidiary filed a general rate case requesting $110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On December 1, 2021, the Company's Kentucky subsidiary filed a wastewater rate case requesting additional revenues of $1 million, excluding proposed reductions for EADIT as a result of TCJA. The Company requested a four-step rate increase for their wastewater operations with effective dates of June 1, 2022, June 1, 2023, June 1, 2024 and June 1, 2025 for annual amounts of less than $1 million each year. The Company filed their wastewater case under the alternative rate filing process for smaller utilities which calculates an operating ratio of 88% rather than a return on equity.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting $15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On August 18, 2021, the Company's Hawaii subsidiary filed a general rate case requesting $2 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting $32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is $1 million and the exclusion for infrastructure surcharges is $10 million. Intervenor testimony was received on September 20, 2021. The Company's rebuttal testimony was filed on October 5, 2021. Hearings were conducted on November 3 and 4, 2021. A final order is expected no later than February 24, 2022.

The Company's California subsidiary submitted its application on May 3, 2021 to set its cost of capital for 2022 through 2024. According to the CPUC's process, a decision is expected to be issued, setting the authorized cost of capital in the third quarter of 2022.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective during 2019 through 2021:

(In millions)	2021	2020	2019
Infrastructure surcharges by state (a):			
New Jersey (b)	$ 26	$ 20	$ 15
Missouri (c)	7	12	14
Kentucky (effective July 1, 2021 and July 1, 2020)	1	1	—
Indiana (effective March 17, 2021)	8	—	—
Pennsylvania (d)	8	27	11
Illinois (effective January 1, 2021, January 1, 2020 and January 1, 2019)	7	7	8
West Virginia (effective January 1, 2021, January 1, 2020 and January 1, 2019)	5	3	2
Tennessee (effective January 1, 2021, January 1, 2020 and September 1, 2019)	3	2	1
Total infrastructure surcharge authorizations	$ 65	$ 72	$ 51

(a) Excludes authorized increases of $2 million in 2019 for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures for additional information.

(b) In 2021, $12 million was effective on December 30 and $14 million was effective June 28. In 2020, $10 million was effective June 29 and $10 million was effective January 1. In 2019, the effective date was July 1.

(c) In 2021, the effective date was October 7. In 2020, $2 million was effective December 14 and $10 million was effective June 27. In 2019, $5 million was effective December 21 and $9 million was effective June 24.

(d) In 2021, the effective date was January 1. In 2020, $8 million was effective October 1, $4 million was effective July 1, $5 million was effective April 1 and $10 million was effective January 1. In 2019, $6 million was effective October 1, $3 million was effective July 1 and $2 million was effective April 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective after January 1, 2022:

(In millions)	Amount
Infrastructure surcharge filings by state:	
Illinois (effective January 1, 2022)	$ 6
Missouri (effective February 1, 2022)	12
Total infrastructure surcharge filings	$ 18

Pending Infrastructure Surcharge Filings

On January 19, 2022, the Company's Indiana subsidiary filed for infrastructure surcharges requesting $8 million in additional annualized revenues.

On June 30, 2021, the Company's West Virginia subsidiary filed for an infrastructure surcharge requesting $3 million in additional annualized revenues.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company's total regulatory asset balance at December 31, 2021 earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	2021	2020
Deferred pension expense	$ 323	$ 374
Removal costs recoverable through rates	313	314
Regulatory balancing accounts	52	57
Other	439	446
Less: Regulatory assets included in assets held for sale (a)	(76)	(64)
Total regulatory assets	$ 1,051	$ 1,127

(a) These regulatory assets are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $317 million and $366 million as of December 31, 2021 and 2020, respectively. The remaining portion is the pension expense in excess of the amount contributed to the pension plans which is deferred by certain subsidiaries and will be recovered in future service rates as contributions are made to the pension plan.

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs and purchased power and water accounts.

Other regulatory assets include the financial impacts relating to the COVID-19 pandemic, purchase premium recoverable through rates, tank painting costs, certain construction costs for treatment facilities, property tax stabilization, employee-related costs, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

The Company has current regulatory assets of $16 million and $13 million included in other current assets on the Consolidated Balance Sheet as of December 31, 2021 and 2020, respectively, which is primarily made up of deferred vacation pay.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. Presented in the table below is the composition of regulatory liabilities as of December 31:

	2021	2020
Income taxes recovered through rates	$ 1,093	$ 1,230
Removal costs recovered through rates	291	301
Postretirement benefit liability	153	170
Other	110	111
Less: Regulatory liabilities included in liabilities related to assets held for sale (a)	(47)	(42)
Total regulatory liabilities	$ 1,600	$ 1,770

(a) These regulatory liabilities are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Income taxes recovered through rates relate to deferred taxes that will likely be refunded to the Company's customers. On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, as amended (the "Code"), including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. The enactment of the TCJA required a re-measurement of the Company's deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT will be used to benefit its regulated customers in future rates. Twelve of the Company's regulated subsidiaries are amortizing EADIT and crediting customers. The Company expects the timing of the amortization of EADIT credits for the one remaining regulated subsidiary to be addressed in a pending or future rate case or other proceedings.

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful lives that are recovered through customer rates over the lives of the associated assets.

On August 31, 2018, the Postretirement Medical Benefit Plan was remeasured to reflect an announced plan amendment which changed benefits for certain union and non-union plan participants. As a result of the remeasurement, the Company recorded a $227 million reduction to the net accumulated postretirement benefit obligation, with a corresponding regulatory liability.

Other regulatory liabilities include the financial impacts relating to the COVID-19 pandemic, TCJA reserve on revenue, pension and other postretirement benefit balancing accounts, legal settlement proceeds, deferred gains and various regulatory balancing accounts.

The Company has current regulatory liabilities of $8 million and $6 million included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2021 and 2020, respectively, which primarily is made up of TCJA reserve on revenue.

Note 5: Revenue Recognition

Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,935	$ —	$ 1,935
Commercial	676	—	676
Fire service	151	—	151
Industrial	141	—	141
Public and other	230	—	230
Total water services	3,133	—	3,133
Wastewater services:			
Residential	151	—	151
Commercial	37	—	37
Industrial	4	—	4
Public and other	16	—	16
Total wastewater services	208	—	208
Miscellaneous utility charges	26	—	26
Alternative revenue programs	—	9	9
Lease contract revenue	—	8	8
Total Regulated Businesses	3,367	17	3,384
Market-Based Businesses	563	—	563
Other	(16)	(1)	(17)
Total operating revenues	$ 3,914	$ 16	$ 3,930

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2020:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,895	$ —	$ 1,895
Commercial	627	—	627
Fire service	147	—	147
Industrial	133	—	133
Public and other	201	—	201
Total water services	3,003	—	3,003
Wastewater services:			
Residential	134	—	134
Commercial	34	—	34
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	185	—	185
Miscellaneous utility charges	32	—	32
Alternative revenue programs	—	25	25
Lease contract revenue	—	10	10
Total Regulated Businesses	3,220	35	3,255
Market-Based Businesses	540	—	540
Other	(17)	(1)	(18)
Total operating revenues	$ 3,743	$ 34	$ 3,777

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2019:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,734	$ 1	$ 1,735
Commercial	639	—	639
Fire service	142	—	142
Industrial	138	—	138
Public and other	214	—	214
Total water services	2,867	1	2,868
Wastewater services:			
Residential	119	—	119
Commercial	31	—	31
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	167	—	167
Miscellaneous utility charges	36	—	36
Alternative revenue programs	—	16	16
Lease contract revenue	—	7	7
Total Regulated Businesses	3,070	24	3,094
Market-Based Businesses	539	—	539
Other	(22)	(1)	(23)
Total operating revenues	$ 3,587	$ 23	$ 3,610

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's Market-Based Businesses, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $71 million, $39 million and $13 million are included in unbilled revenues on the Consolidated Balance Sheets as of December 31, 2021, 2020 and 2019, respectively. There were $71 million of contract assets added during 2021, and $39 million of contract assets were transferred to accounts receivable during 2021. There were $60 million of contract assets added during 2020, and $34 million of contract assets were transferred to accounts receivable during 2020.

Contract liabilities of $19 million, $35 million and $27 million are included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2021, 2020 and 2019, respectively. There were $152 million of contract liabilities added during 2021, and $168 million of contract liabilities were recognized as revenue during 2021. There were $120 million of contract liabilities added during 2020, and $112 million of contract liabilities were recognized as revenue during 2020.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of December 31, 2021, the Company's O&M and capital improvement contracts in the Market-Based Businesses have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of $6.2 billion as of December 31, 2021, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2022 and 2038 and have RPOs of $584 million as of December 31, 2021, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 6: Acquisitions and Divestitures

Regulated Businesses

Acquisitions

During 2021, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $112 million, which added approximately 20,000 water and wastewater customers, including the acquisitions of the East Pasadena Water Company in California on September 23, 2021 for $34 million, the water and wastewater system assets of Valley Township in Pennsylvania on November 19, 2021 for $21 million and the Lowell water system in Indiana on December 28, 2021 for $25 million. Assets acquired from these acquisitions, principally utility plant, totaled $114 million and liabilities assumed totaled $2 million. Several of these acquisitions were accounted for as business combinations. The preliminary purchase price allocations related to acquisitions accounted for as business combinations will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

On April 6, 2021, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for $235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system, directly and indirectly through bulk contracts, serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company's Pennsylvania subsidiary paid a $20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for $22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

During 2020, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $135 million. Assets acquired from these acquisitions, principally utility plant, totaled $159 million and liabilities assumed totaled $29 million, including $21 million of contributions in aid of construction and assumed debt of $7 million. The Company recorded additional goodwill of $5 million associated with two of its acquisitions, which is reported in its Regulated Businesses segment.

During 2019, the Company closed on 21 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $235 million. Assets acquired from these acquisitions, principally utility plant, totaled $237 million and liabilities assumed, primarily contributions in aid of construction, totaled $5 million. The Company recorded additional goodwill of $3 million associated with three of its acquisitions, which is reported in its Regulated Businesses segment.

Assets Held for Sale

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021 and 2020.

Presented in the table below are the components of assets held for sale and liabilities related to assets held for sale of the New York subsidiary as of December 31, 2021:

	December 31, 2021
Property, plant and equipment	$ 556
Current assets	18
Regulatory assets	76
Goodwill	27
Other assets	6
Assets held for sale	$ 683
Current liabilities	13
Regulatory liabilities	47
Other liabilities	23
Liabilities related to assets held for sale	$ 83

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for approximately $6 million.

Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately $1.275 billion, resulting in pre-tax gain on sale of $748 million. The consideration is comprised of $480 million in cash, a seller promissory note issued by the Buyer in the principal amount of $720 million, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 19—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The repayment obligations of the Buyer under the seller note have been secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions. The seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants.

Beginning December 9, 2024, the Company has a put right pursuant to which it may require the seller note to be repaid in full at par, plus accrued and unpaid interest, except that upon the occurrence of a disruption event in the broadly syndicated term loan "B" debt financing market, repayment by the Buyer pursuant to the Company's exercise of the put right will be delayed until the market disruption event ends.

The seller note may not be prepaid at the Buyer's election except in certain limited circumstances before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the seller note in breach of this non-call provision, an event of default will occur under the seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary "make-whole" payment.

The Company and the Buyer also entered into a revenue share agreement, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods.

The pro forma impact of the Company's divestitures was not material to the Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019.

Note 7: Property, Plant and Equipment

Presented in the table below are the major classes of property, plant and equipment by category as of December 31:

	2021	2020	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	$ 210	$ 174		
Sources of supply	938	897	2 to 127 years	46 years
Treatment and pumping facilities	4,198	3,984	3 to 111 years	39 years
Transmission and distribution facilities	12,308	11,457	9 to 130 years	69 years
Services, meters and fire hydrants	4,888	4,555	5 to 90 years	31 years
General structures and equipment	2,200	2,003	1 to 109 years	15 years
Waste collection	1,363	1,288	5 to 113 years	58 years
Waste treatment, pumping and disposal	912	859	2 to 139 years	38 years
Construction work in progress	934	837		
Less: Utility plant included in assets held for sale (a)	(664)	(646)		
Total utility plant	27,287	25,408		
Nonutility property	126	211	3 to 50 years	6 years
Less: Nonutility plant included in assets held for sale (a)	—	(5)		
Total property, plant and equipment	$ 27,413	$ 25,614		

(a) This property, plant and equipment is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Property, plant and equipment depreciation expense amounted to $550 million, $520 million and $508 million for the years ended December 31, 2021, 2020 and 2019, respectively and was included in depreciation and amortization expense on the Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.77%, 2.82% and 2.96% for years December 31, 2021, 2020 and 2019, respectively. Additionally, the Company had capital expenditures acquired on account but unpaid of $292 million and $221 million included in accrued liabilities on the Consolidated Balance Sheets as of December 31, 2021 and 2020, respectively.

In 2019, the Company completed and submitted its project completion certification to the New Jersey Economic Development Authority ("NJEDA") in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The NJEDA determined that the Company is qualified to receive $164 million in tax credits over a ten-year period. The Company is required to meet various annual requirements in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15. The Company has made the necessary annual filings for the years ended December 31, 2019 and 2020 and expects to file the 2021 filing by April 30, 2022. As a result, the Company had receivables of $49 million and $115 million in other current assets and other long-term assets, respectively, on the Consolidated Balance Sheets as of December 31, 2021. The submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in the first half of 2022.

In March 2020, in connection with the COVID-19 pandemic, the NJEDA, pursuant to Executive Order 103 - State of Emergency and a Public Health Emergency, temporarily waived the requirement that a full-time employee must spend at least 80% of his or her time at the qualified business facility ("QBF") to meet the definition of eligible position or full-time job. The waiver will continue for as long as New Jersey's Executive Order 281 is valid. On July 2, 2021, New Jersey's Governor approved a bill that revised provisions of the Economic Recovery Act of 2020 and other economic development programs, including amending the definition of an eligible position and full-time job in the Grow New Jersey Program and replacing the 80% requirement of time spent at the QBF. The bill states that an eligible position is one that is filled by a full-time employee who has their primary office at the QBF and spends at least 60% of their time at the QBF. The bill specifically states that it supersedes the existing regulations and existing incentive agreements that require an eligible employee spend at least 80% of their time at the QBF.

Note 8: Allowance for Uncollectible Accounts

Presented in the table below are the changes in the allowances for uncollectible accounts for the years ended December 31:

	2021	2020	2019
Balance as of January 1	$ (60)	$ (41)	$ (45)
Amounts charged to expense	(37)	(34)	(28)
Amounts written off	17	12	32
Less: Allowance for uncollectible accounts included in assets held for sale (a)	5	3	—
Balance as of December 31	$ (75)	$ (60)	$ (41)

(a) This portion of the allowance for uncollectible accounts is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Note 9: Goodwill and Other Intangible Assets

Goodwill

Presented in the table below are the changes in the carrying value of goodwill for the years ended December 31, 2021 and 2020:

	Regulated Businesses		Market-Based Businesses		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2020	$ 3,497	$ (2,332)	$ 483	$ (108)	$ 3,980	$ (2,440)	$ 1,540
Goodwill from acquisitions	5	—	—	—	5	—	5
Measurement period adjustments	(2)	—	—	—	(2)	—	(2)
Less: Goodwill included in assets held for sale (a)	(39)	—	—	—	(39)	—	(39)
Balance as of December 31, 2020	$ 3,461	$ (2,332)	$ 483	$ (108)	$ 3,944	$ (2,440)	$ 1,504
Measurement period adjustments	(7)	—	—	—	(7)	—	(7)
Goodwill included in assets held for sale (a)	12	—	—	—	12	—	12
Goodwill reduced through sale of HOS	—	—	(370)	—	(370)	—	(370)
Balance as of December 31, 2021	$ 3,466	$ (2,332)	$ 113	$ (108)	$ 3,579	$ (2,440)	$ 1,139

(a) This goodwill is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

In 2021, the Company reduced goodwill by $370 million included in Market-Based Businesses through the sale of HOS. See Note 6—Acquisitions and Divestitures for additional information relating to the sale of HOS.

The Company completed its annual impairment testing of goodwill as of November 30, 2021, which included qualitative assessments of its Regulated Businesses and MSG reporting units. Based on these assessments, the Company determined that there were no factors present that would indicate that the fair value of these reporting units was less than their respective carrying values as of November 30, 2021.

In 2020, the Company acquired goodwill of $5 million associated with two of its acquisitions in the Regulated Businesses segment.

Intangible Assets

The Company held finite-lived intangible assets, including customer relationships and other intangible assets prior to the sale of HOS during the fourth quarter of 2021. All of the Company's finite-lived intangible assets were sold as part of the HOS sale transaction. As a result, there was no gross carrying value or net book value of customer relationships and other intangible assets remaining as of December 31, 2021. The gross carrying value of customer relationships and other intangible assets as of December 31, 2020 was $78 million and $13 million, respectively. Accumulated amortization of customer relationships and other intangible assets was $29 million and $7 million, respectively, as of December 31, 2020. Intangible asset amortization expense amounted to $9 million, $12 million and $14 million for the years ended December 31, 2021, 2020 and 2019, respectively. Amortization expense related to customer relationships and other intangible assets was $7 million and $2 million, respectively, for the year ended December 31, 2021.

Note 10: Shareholders' Equity

Common Stock

Under the Company's dividend reinvestment and direct stock purchase plan (the "DRIP"), shareholders may reinvest cash common stock dividends and purchase additional shares of Company common stock, up to certain limits, through the plan administrator without paying brokerage commissions. Shares purchased by participants through the DRIP may be newly issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2021, there were approximately 5.1 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allows the Company to purchase up to 10 million shares of its outstanding common stock from time to time over an unrestricted period of time. The Company did not repurchase shares of common stock during the years ended December 31, 2021 and 2020. As of December 31, 2021, there were 5.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2021 and 2020:

	Defined Benefit Plans				
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Gain (Loss) on Cash Flow Hedge	Accumulated Other Comprehensive Loss
Beginning balance as of January 1, 2020	$ (94)	$ 1	$ 60	$ (3)	$ (36)
Other comprehensive income (loss) before reclassification	(12)	—	—	(4)	(16)
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	3
Net other comprehensive income (loss)	(12)	—	3	(4)	(13)
Ending balance as of December 31, 2020	$ (106)	$ 1	$ 63	$ (7)	$ (49)
Other comprehensive income (loss) before reclassification	(1)	—	—	1	—
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	4
Net other comprehensive income (loss)	(1)	—	4	1	4
Ending balance as of December 31, 2021	$ (107)	$ 1	$ 67	$ (6)	$ (45)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 16—Employee Benefits for additional information.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends and Distributions

The Company's Board of Directors authorizes the payment of dividends. The Company's ability to pay dividends on its common stock is subject to having access to sufficient sources of liquidity, net income and cash flows of the Company's subsidiaries, the receipt of dividends and direct and indirect distributions from, and repayments of indebtedness of, the Company's subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements and other factors.

The Company's dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company's income and cash flows. When dividends on common stock are declared, they are typically paid in March, June, September and December. Historically, dividends have been paid quarterly to holders of record less than 30 days prior to the distribution date. Since the dividends on the Company's common stock are not cumulative, only declared dividends are paid.

During 2021, 2020 and 2019, the Company paid $428 million, $389 million and $353 million in cash dividends, respectively. Presented in the table below is the per share cash dividends paid for the years ended December 31:

	2021	2020	2019
December	$ 0.6025	$ 0.55	$ 0.50
September	$ 0.6025	$ 0.55	$ 0.50
June	$ 0.6025	$ 0.55	$ 0.50
March	$ 0.55	$ 0.50	$ 0.455

On December 9, 2021, the Company's Board of Directors declared a quarterly cash dividend payment of $0.6025 per share payable on March 1, 2022, to shareholders of record as of February 8, 2022.

Under applicable law, the Company's subsidiaries may pay dividends on their capital stock or other equity only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the amount of the dividend that the subsidiary can pay. The ability of the Company's subsidiaries to pay upstream dividends, make other upstream distributions or repay indebtedness to parent company or American Water Capital Corp. ("AWCC"), the Company's wholly owned financing subsidiary, as applicable, is subject to compliance with applicable corporate, tax and other laws, regulatory restrictions and financial and other contractual obligations, including, for example, (i) regulatory capital, surplus or net worth requirements, (ii) outstanding debt service obligations, (iii) requirements to make preferred and preference stock dividend payments, and (iv) other contractual agreements, covenants or obligations made or entered into by the Company and its subsidiaries.

Regulatory Restrictions on Indebtedness

The issuance of long-term debt or equity securities by the Company or long-term debt by AWCC does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. Based on the needs of the Regulated Businesses and parent company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide these borrowings to the Regulated Businesses or parent company. PUC authorization is generally required for the regulated subsidiaries to incur long-term debt. The Company's regulated subsidiaries normally obtain these required PUC authorizations on a periodic basis to cover their anticipated financing needs for a period of time, or, as necessary, in connection with a specific financing or refinancing of debt.

Note 11: Stock Based Compensation

The Company has granted stock options, stock units and dividend equivalents to non-employee directors, officers and other key employees of the Company pursuant to the terms of its 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). Stock units under the 2007 Plan generally vest based on (i) continued employment with the Company ("RSUs"), or (ii) continued employment with the Company where distribution of the shares is subject to the satisfaction in whole or in part of stated performance-based goals ("PSUs"). The 2007 Plan has been replaced by the 2017 Omnibus Plan, as defined below, and no additional awards may be granted under the 2007 Plan. However, shares may still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

In May 2017, the Company's shareholders approved the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"). The Company has granted stock units, including RSUs and PSUs, stock awards and dividend equivalents to non-employee directors, officers and employees under the 2017 Omnibus Plan. A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2021, 6.5 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents. Dividend equivalents may be granted only on stock units or other stock-based awards. The 2017 Omnibus Plan expires in 2027.

The cost of services received from employees in exchange for the issuance of stock options and restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock options and stock unit awards at the date of the grant is amortized through expense over the requisite service period. All awards granted in 2021, 2020 and 2019 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. There have been no significant adjustments to the forfeiture rates during 2021, 2020 and 2019. There were no grants of stock options to employees after 2016, and the remaining stock options outstanding as of December 31, 2021 were not material. Presented in the table below is the stock-based compensation expense recorded in O&M expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2021	2020	2019
RSUs and PSUs	$ 15	$ 19	$ 15
Nonqualified employee stock purchase plan	2	2	2
Stock-based compensation	17	21	17
Income tax benefit	(4)	(5)	(4)
Stock-based compensation expense, net of tax	$ 13	$ 16	$ 13

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2021, 2020 and 2019.

Subject to limitations on deductibility imposed by the Federal income tax code, the Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for stock units. For each award, throughout the requisite service period, the Company records the tax impacts related to compensation costs as deferred income tax assets. The tax deductions in excess of the deferred benefits recorded throughout the requisite service period are recorded to the Consolidated Statements of Operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Units

During 2021, 2020 and 2019, the Company granted RSUs to certain employees under the 2017 Omnibus Plan. RSUs generally vest based on continued employment with the Company over periods ranging from one to three years.

During 2021, 2020 and 2019, the Company granted stock units to non-employee directors under the 2017 Omnibus Plan. The stock units were vested in full on the date of grant; however, distribution of the shares will be made within 30 days of the earlier of (i) 15 months after the date of the last annual meeting of shareholders, subject to any deferral election by the director, or (ii) the participant's separation from service. Because these stock units vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

The RSUs are valued at the closing price of the Company's common stock on the date of the grant and the majority vest ratably over a three-year service period. These RSUs are amortized through expense over the requisite service period using the straight-line method.

Presented in the table below is RSU activity for the year ended December 31, 2021:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2020	92	$ 100.39
Granted	45	158.54
Vested	(76)	122.26
Forfeited	(13)	128.93
Non-vested total as of December 31, 2021	48	$ 112.22

As of December 31, 2021, $3 million of total unrecognized compensation cost related to the nonvested RSUs is expected to be recognized over the weighted average remaining life of 1.33 years. The total fair value of stock units and RSUs vested was $9 million, $5 million and $4 million for the years ended December 31, 2021, 2020 and 2019, respectively.

During 2021, 2020 and 2019, the Company granted PSUs to certain employees under the 2017 Omnibus Plan. The majority of PSUs vest ratably based on continued employment with the Company over the three-year performance period (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of one or more internal performance measures and, separately, a relative total shareholder return performance measure, over the Performance Period.

Presented in the table below is PSU activity for the year ended December 31, 2021:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2020	293	$ 105.70
Granted	145	128.30
Vested	(186)	75.47
Forfeited	(20)	159.99
Non-vested total as of December 31, 2021	232	$ 139.40

As of December 31, 2021, $3 million of total unrecognized compensation cost related to the nonvested PSUs is expected to be recognized over the weighted average remaining life of 0.71 years. The total fair value of PSUs vested was $22 million, $18 million and $14 million for the years ended December 31, 2021, 2020 and 2019, respectively.

PSUs granted with one or more internal performance measures are valued at the market value of the closing price of the Company's common stock on the date of grant. PSUs granted with a relative total shareholder return condition are valued using a Monte Carlo simulation model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. Presented in the table below are the weighted average assumptions used in the Monte Carlo simulation and the weighted average grant date fair values of PSUs granted for the years ended December 31:

	2021	2020	2019
Expected volatility	28.59%	16.65%	16.80%
Risk-free interest rate	0.22%	1.28%	2.47%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	$229.22	$159.64	$110.37

The grant date fair value of PSUs that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the "ESPP") that expires in 2027 through which employee participants (other than the Company's executive officers) may use payroll deductions to acquire Company common stock at a purchase price of 85% of the fair market value of the common stock at the end of a three-month purchase period. A total of 2.0 million shares may be issued under the ESPP, and as of December 31, 2021, there were 1.6 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2021, 2020 and 2019, the Company issued 80 thousand, 86 thousand and 88 thousand shares, respectively, under the ESPP.

Note 12: Long-Term Debt

The Company obtains long-term debt through AWCC primarily to fund capital expenditures of the Regulated Businesses and to lend funds to parent company to refinance debt and for other purposes. Presented in the table below are the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity	2021	2020
Long-term debt of AWCC: (a)					
Senior notes—fixed rate	2.30%-8.27%	3.83%	2023-2051	$ 8,965	$ 8,191
Private activity bonds and government funded debt—fixed rate	0.60%-2.45%	1.63%	2023-2031	190	191
Long-term debt of other American Water subsidiaries:					
Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.70%	2022-2048	739	735
Mortgage bonds—fixed rate	6.35%-9.19%	7.36%	2023-2039	534	565
Mandatorily redeemable preferred stock	8.47%-9.75%	8.60%	2024-2036	4	5
Finance lease obligations	12.25%	12.25%	2026	1	1
Long-term debt				10,433	9,688
Unamortized debt (discount) premium, net (b)				(9)	(4)
Unamortized debt issuance costs				(23)	(22)
Less current portion of long-term debt				(57)	(329)
Total long-term debt				$ 10,344	$ 9,333

(a) This indebtedness is considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness.

(b) Includes debt discount, net of fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds and $738 million of the private activity bonds and government funded debt held by the Company's subsidiaries were collateralized as of December 31, 2021.

Long-term debt indentures contain a number of covenants that, among other things, limit, subject to certain exceptions, AWCC from issuing debt secured by the Company's consolidated assets. Certain long-term notes require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2021 was 0.60 to 1.00. In addition, the Company has $859 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions, with a weighted average interest rate of 1.84%.

Presented in the table below are future sinking fund payments and debt maturities:

	Amount
2022	$ 57
2023	280
2024	474
2025	597
2026	441
Thereafter	8,584

Presented in the table below are the issuances of long-term debt in 2021:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	2.30%-3.25%	2.78%	2031-2051	$ 1,100
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.00%	0.04%	2022-2047	18
Total issuances					$ 1,118

The Company incurred debt issuance costs of $11 million related to the above issuances.

Presented in the table below are the retirements and redemptions of long-term debt in 2021 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-6.55%	5.94%	2021-2031	$ 327
Other American Water subsidiaries	Private activity mortgage bonds	9.13%-9.69%	9.52%	2021	31
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.38%	2021-2048	13
Other American Water subsidiaries	Mandatory redeemable preferred stock	8.49%-8.49%	8.49%	2022-2022	1
Total retirements and redemptions					$ 372

On May 10, 2021, AWCC completed a $1.1 billion debt offering which included the sale of $550 million aggregate principal amount of its 2.30% senior notes due 2031 and $550 million aggregate principal amount of its 3.25% senior notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of $1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay $251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and $76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately $14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of $15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as swaps. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations and minimizes this risk by dealing only with leading, creditworthy financial institutions having long-term credit ratings of "A" or better.

On May 6, 2021, the Company entered into two 10-year treasury lock agreements, with notional amounts of $125 million and $150 million, to reduce interest rate exposure on debt, which was subsequently issued on May 10, 2021. These treasury lock agreements had an average fixed rate of 1.58%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. On May 10, 2021, the Company terminated these two treasury lock agreements with an aggregate notional amount of $275 million, realizing a net gain of less than $1 million, to be amortized through interest, net over a 10-year period, in accordance with the terms of the $1.1 billion new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2021 and 2020.

Note 13: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. Additionally, proceeds from the aforementioned sales of HOS and the Company's New York subsidiary will be used primarily for capital investment in the Regulated Businesses. The revolving credit facility provides $2.25 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is March 21, 2025. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million. As of December 31, 2021, AWCC had no outstanding borrowings and $76 million of outstanding letters of credit under the revolving credit facility, with $1.59 billion available to fulfill the Company's short-term liquidity needs and to issue letters of credit. The Company regularly evaluates the capital markets and closely monitors the financial condition of the financial institutions with contractual commitments in its revolving credit facility. Interest rates on advances under the facility are based on a credit spread to the LIBOR rate (or applicable market replacement rate) or base rate in accordance with Moody Investors Service's and Standard & Poor's Financial Services' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt.

On March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). As of December 31, 2020, $500 million of principal was outstanding under the Term Loan Facility. The Term Loan Facility commitments terminated at maturity on March 19, 2021, and the Term Loan Facility was repaid in full. Borrowings under the Term Loan Facility bore interest at a variable annual rate based on LIBOR, plus a margin of 0.80%.

Short-term debt consists of commercial paper and credit facility borrowings totaling $584 million and $786 million as of December 31, 2021 and 2020, respectively. The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 0.25%, for the year ended December 31, 2021. The weighted average interest rate on AWCC's outstanding short-term borrowings was 1.16%, for the year ended December 31, 2020, including $500 million of outstanding principal on the Term Loan Facility as of December 31, 2020. As of December 31, 2021 there were no commercial paper or credit facility borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2021		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	$ 1,516	$ 74	$ 1,590

(a) Total remaining availability of $1.59 billion as of December 31, 2021 may be accessed through revolver draws.

	2020		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,100	$ 150	$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	$ 1,314	$ 74	$ 1,388

(a) Total remaining availability may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2021 and 2020, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2021	$ 116	$ 1,590	$ 1,706
Available liquidity as of December 31, 2020	$ 547	$ 1,388	$ 1,935

Presented in the table below is the short-term borrowing activity for AWCC for the years ended December 31:

	2021	2020
Average borrowings	$ 910	$ 1,047
Maximum borrowings outstanding	1,647	2,172
Weighted average interest rates, computed on daily basis	0.25 %	1.16 %
Weighted average interest rates, as of December 31	0.20 %	0.53 %

The changes in average borrowings between periods were mainly attributable to the $500 million borrowed under the Term Loan Facility during 2020, which terminated and was repaid in full at maturity on March 19, 2021.

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2021 was 0.60 to 1.00.

None of the Company's borrowings are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under AWCC's revolving credit facility.

Note 14: General Taxes

Presented in the table below is the components of general tax expense for the years ended December 31:

	2021	2020	2019
Property and capital stock	$ 149	$ 140	$ 124
Gross receipts and franchise	121	116	110
Payroll	39	36	35
Other general	12	11	11
Total general taxes	$ 321	$ 303	$ 280

Note 15: Income Taxes

Presented in the table below is the components of income tax expense for the years ended December 31:

	2021	2020	2019
Current income taxes:			
State	$ 72	$ 8	$ 4
Federal	75	—	—
Total current income taxes	$ 147	$ 8	$ 4
Deferred income taxes:			
State	$ 10	$ 49	$ 54
Federal	221	159	155
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	230	207	208
Provision for income taxes	$ 377	$ 215	$ 212

Presented in the table below is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2021	2020	2019
Income tax at statutory rate	21.0 %	21.0 %	21.0 %
Increases (decreases) resulting from:			
State taxes, net of federal taxes	3.9 %	4.8 %	5.4 %
EADIT	(3.6)%	(2.1)%	(0.9)%
Tax impact due to the sale of HOS	1.6 %	— %	— %
Other, net	0.1 %	(0.4)%	(0.1)%
Effective tax rate	23.0 %	23.3 %	25.4 %

Presented in the table below are the components of the net deferred tax liability as of December 31:

	2021	2020
Deferred tax assets:		
Advances and contributions	$ 439	$ 424
Tax losses and credits	10	65
Regulatory income tax assets	301	329
Pension and other postretirement benefits	50	100
Other	144	165
Total deferred tax assets	944	1,083
Valuation allowance	(10)	(19)
Total deferred tax assets, net of allowance	$ 934	$ 1,064
Deferred tax liabilities:		
Property, plant and equipment	$ 3,087	$ 2,913
Deferred pension and other postretirement benefits	69	97
Other	180	216
Total deferred tax liabilities	3,336	3,226
Less: Deferred tax liabilities included in liabilities related to assets held for sale (a)	—	69
Total deferred tax liabilities, net of deferred tax assets	$ (2,402)	$ (2,093)

(a) These deferred tax liabilities are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

The Company recognized no federal net operating loss ("NOL") carryforwards as of December 31, 2021 and $366 million as of December 31, 2020. The Company fully utilized its federal NOL carryforwards in 2021 due to the sale of HOS, and therefore, no valuation allowance is required.

As of December 31, 2021 and 2020, the Company had state NOLs of $123 million and $357 million, respectively, a portion of which are offset by a valuation allowance as the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards expire in 2021 through 2041.

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for years on or before 2012. The Company has state income tax examinations in progress and does not expect material adjustments to result.

Presented in the table below are the changes in gross liability, excluding interest and penalties, for unrecognized tax benefits:

	Amount
Balance as of January 1, 2020	$ 110
Increases in current period tax positions	18
Decreases in prior period measurement of tax positions	(6)
Balance as of December 31, 2020	$ 122
Increases in current period tax positions	23
Decreases in prior period measurement of tax positions	(5)
Balance as of December 31, 2021	$ 140

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. As discussed above, the Company utilized its remaining federal NOLs in 2021, and therefore this federal tax attribute will not be available to reduce the federal liabilities for uncertain tax positions or interest accrued as presented on the Company's Consolidated Financial Statements.

If the Company sustains all of its positions as of December 31, 2021, an unrecognized tax benefit of $10 million, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an insignificant amount of interest and penalties related to its tax positions as of December 31, 2021 and 2020.

Presented in the table below are the changes in the valuation allowance:

	Amount
Balance as of January 1, 2019	$ 14
Increases in current period tax positions	7
Balance as of December 31, 2019	$ 21
Decreases in current period tax positions	(2)
Balance as of December 31, 2020	$ 19
Decreases in current period tax positions	(9)
Balance as of December 31, 2021	$ 10

Note 16: Employee Benefits

Pension and Other Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001, except for specific eligible groups specified in the plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental nonqualified pension plans that provide additional retirement benefits to certain employees.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional cash contributions and/or available prefunding balances if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006 ("PPA"). The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 4—Regulatory Matters for additional information. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed funds in the form of separate accounts, commingled funds and limited partnerships, including equities and fixed income securities.

The investment policy guideline of the pension plan is focused on diversification, improving returns and reducing the volatility of the funded status over a long-term horizon. The investment policy guidelines of the postretirement plans focus on the appropriate strategy given the funded status of the plans. None of the Company's securities are included in pension or other postretirement benefit plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of 2018, the fair values and asset allocations of the pension plan assets include the American Water Pension Plan, the New York Water Service Corporation Pension Plan, and the Shorelands Water Company, Inc. Pension Plan.

As a result of the sale of the Company's New York subsidiary, there will be a transfer of assets from two pension plans and two other postretirement benefit plans from the Company to Liberty. The Company does not expect the assets to be transferred to be a significant percentage of the Company's overall pension and other postretirement benefit plans.

Presented in the tables below are the fair values and asset allocations of the pension plan assets as of December 31, 2021 and 2020, respectively, by asset category:

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2021
Cash		$ 54	$ 54	$ —	$ —	3 %
Equity securities:	50 %					
U.S. large cap		217	217	—	—	11 %
U.S. small cap		113	113	—	—	6 %
International		516	7	354	155	26 %
Real estate fund		141	—	—	141	7 %
REITs		9	—	9	—	— %
Fixed income securities:	50 %					
U.S. Treasury securities and government bonds		256	249	7	—	13 %
Corporate bonds		601	—	601	—	30 %
Mortgage-backed securities		9	—	9	—	— %
Municipal bonds		25	—	25	—	1 %
Treasury futures		—	—	—	—	— %
Long duration bond fund		10	7	3	—	1 %
Guarantee annuity contracts		40	—	—	40	2 %
Total	100 %	$ 1,991	$ 647	$ 1,008	$ 336	100 %

Asset Category	2021 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2020
Cash		$ 78	$ 78	$ —	$ —	4 %
Equity securities:	50 %					
U.S. large cap		420	420	—	—	21 %
U.S. small cap		124	124	—	—	6 %
International		367	8	169	190	18 %
Real estate fund		120	—	—	120	6 %
REITs		7	—	7	—	— %
Fixed income securities:	50 %					
U.S. Treasury securities and government bonds		171	163	8	—	9 %
Corporate bonds		594	—	594	—	30 %
Mortgage-backed securities		9	—	9	—	— %
Municipal bonds		34	—	34	—	2 %
Treasury futures		10	10	—	—	1 %
Long duration bond fund		10	7	3	—	1 %
Guarantee annuity contracts		46	—	—	46	2 %
Total	100 %	$ 1,990	$ 810	$ 824	$ 356	100 %

Presented in the tables below are a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for 2021 and 2020, respectively:

	Level 3
Balance as of January 1, 2021	$ 356
Actual return on assets	41
Purchases, issuances and settlements, net	(61)
Balance as of December 31, 2021	$ 336

	Level 3
Balance as of January 1, 2020	$ 349
Actual return on assets	3
Purchases, issuances and settlements, net	4
Balance as of December 31, 2020	$ 356

The Company's postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns.

In 2018, the Company announced plan design changes to the medical bargaining benefit plan, which resulted in a cap on future benefits and an over funded postretirement medical benefits bargaining plan. As a result of the change in funded status, the Company decreased the investment risk in the plan and reduced its exposure to changes in interest rates by matching the assets of the plan to the projected cash flows for future benefit payments of the liability.

The Company engages third-party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g. fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to long duration fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process. For the postretirement medical bargaining plan, its asset structure is designed to meet the cash flows of the liabilities. This design reduces the plan's exposure to changes in interest rates.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary. Voluntary Employees' Beneficiary Association ("VEBA") Trust assets include the American Water Postretirement Medical Benefits Bargaining Plan, the New York Water Service Corporation Postretirement Medical Benefits Bargaining Plan, the American Water Postretirement Medical Benefits Non-Bargaining Plan, and the American Water Life Insurance Trust.

Presented in the tables below are the fair values and asset allocations of the postretirement benefit plan assets as of December 31, 2021 and 2020, respectively, by asset category:

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2021
Bargain VEBA:						
Cash		$ 10	$ 10	$ —	$ —	3 %
Equity securities:	4 %					
U.S. large cap		18	18	—	—	5 %
International		1	1	—	—	— %
Fixed income securities:	96 %					
U.S. Treasury securities and government bonds		363	279	84	—	91 %
Long duration bond fund		5	5	—	—	1 %
Total bargain VEBA	100 %	$ 397	$ 313	$ 84	$ —	100 %
Non-bargain VEBA:						
Cash		$ 2	$ 2	$ —	$ —	—
Equity securities:	60 %					
U.S. large cap		54	54	—	—	39 %
International		35	35	—	—	25 %
Fixed income securities:	40 %					
Core fixed income bond fund (a)		49	—	49	—	36 %
Total non-bargain VEBA	100 %	$ 140	$ 91	$ 49	$ —	100 %
Life VEBA:						
Cash		$ 1	$ 1	$ —	$ —	100 %
Equity securities:	70 %					
U.S. large cap		—	—	—	—	— %
Fixed income securities:	30 %					
Core fixed income bond fund (a)		—	—	—	—	— %
Total life VEBA	100 %	$ 1	$ 1	$ —	$ —	100 %
Total	100 %	$ 538	$ 405	$ 133	$ —	100 %

(a) Includes cash for margin requirements.

Asset Category	2021 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of 12/31/2020
Bargain VEBA:						
Cash		$ 12	$ 12	$ —	$ —	3 %
Equity securities:	4 %					
U.S. large cap		14	14	—	—	3 %
Fixed income securities:	96 %					
U.S. Treasury securities and government bonds		389	308	81	—	93 %
Long duration bond fund		5	5	—	—	1 %
Total bargain VEBA	100 %	$ 420	$ 339	$ 81	$ —	100 %
Non-bargain VEBA:						
Cash		$ 1	$ 1	$ —	$ —	—
Equity securities:	60 %					
U.S. large cap		51	51	—	—	38 %
International		33	33	—	—	24 %
Fixed income securities:	40 %					
Core fixed income bond fund (a)		50	—	50	—	38 %
Total non-bargain VEBA	100 %	$ 135	$ 85	$ 50	$ —	100 %
Life VEBA:						
Equity securities:	70 %					
U.S. large cap		$ —	$ —	$ —	$ —	— %
Fixed income securities:	30 %					
Core fixed income bond fund (a)		1	1	—	—	100 %
Total life VEBA	100 %	$ 1	$ 1	$ —	$ —	100 %
Total	100 %	$ 556	$ 425	$ 131	$ —	100 %

(a) Includes cash for margin requirements.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities—For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Certain equity securities are valued based on quoted prices in active markets and categorized as Level 1. Other equities, such as international securities held in the pension plan, are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since net asset value is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are categorized as Level 2. For limited partnerships, the assets as a whole are categorized as Level 3 due to the fact that the partnership provides the pricing and the pricing inputs are less readily observable. In addition, the limited partnership vehicle cannot be readily traded.

Fixed-income securities—The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. They are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Exchange-traded options and futures, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1.

Real estate fund—Real estate fund is categorized as Level 3 as the fund uses significant unobservable inputs for fair value measurement and the vehicle is in the form of a limited partnership.

REITs—REITs are invested in commingled funds. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since the net asset value is not directly observable for the commingled funds, they are categorized as Level 2.

Guaranteed annuity contracts—Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily.

Presented in the table below is a rollforward of the changes in the benefit obligation and plan assets for the two most recent years, for all plans combined:

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Change in benefit obligation:				
Benefit obligation as of January 1,	$ 2,386	$ 2,161	$ 382	$ 374
Service cost	36	31	4	4
Interest cost	64	73	10	12
Plan participants' contributions	—	—	2	2
Plan amendments	—	—	—	5
Actuarial loss (gain)	(46)	233	(26)	13
Settlements (a)	(6)	(3)	—	—
Gross benefits paid	(140)	(109)	(31)	(29)
Federal subsidy	—	—	1	1
Benefit obligation as of December 31,	$ 2,294	$ 2,386	$ 342	$ 382
Change in plan assets:				
Fair value of plan assets as of January 1,	$ 1,990	$ 1,747	$ 556	$ 532
Actual return on plan assets	108	314	9	53
Employer contributions	39	41	1	(2)
Plan participants' contributions	—	—	2	2
Settlements (a)	(6)	(3)	—	—
Benefits paid	(140)	(109)	(30)	(29)
Fair value of plan assets as of December 31,	$ 1,991	$ 1,990	$ 538	$ 556
Funded value as of December 31,	$ (303)	$ (396)	$ 196	$ 174
Amounts recognized on the balance sheet:				
Noncurrent asset	$ —	$ —	$ 193	$ 173
Current liability	(2)	(2)	—	—
Noncurrent liability	(285)	(388)	(1)	(1)
(Liabilities) assets related to assets held for sale (b)	(16)	(6)	4	2
Net amount recognized	$ (303)	$ (396)	$ 196	$ 174

(a) The Company paid $6 million and $3 million of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan for the years ended December 31, 2021 and 2020, respectively.

(b) These balances are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale and liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Presented in the table below are the components of accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Net actuarial loss	$ 381	$ 436	$ 35	$ 49
Prior service credit	(14)	(16)	(186)	(217)
Net amount recognized	$ 367	$ 420	$ (151)	$ (168)
Regulatory assets (liabilities)	$ 317	$ 366	$ (151)	$ (168)
Accumulated other comprehensive income	50	54	—	—
Total	$ 367	$ 420	$ (151)	$ (168)

Presented in the tables below are the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with a projected obligation in excess of plan assets as of December 31, 2021 and 2020:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2021	2020
Projected benefit obligation	$ 2,294	$ 2,386
Fair value of plan assets	1,991	1,990

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2021	2020
Accumulated benefit obligation	$ 2,138	$ 2,188
Fair value of plan assets	1,991	1,990

The accumulated postretirement plan assets exceed benefit obligations for all of the Company's other postretirement benefit plans, except for the Northern Illinois Retiree Welfare Plan.

In 2006, the PPA replaced the funding requirements for defined benefit pension plans by requiring that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The PPA was effective for the 2008 plan year with short-term phase-in provisions for both the funding target and at-risk determination. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to or greater than the minimum required contributions or the normal cost in 2022 to the qualified pension plans. Contributions may be in the form of cash contributions as well as available prefunding balances.

Presented in the table below is information about the expected cash flows for the pension and postretirement benefit plans:

	Pension Benefits	Other Benefits
2022 expected employer contributions:		
To plan trusts	$ 38	$ —
To plan participants	2	—

Presented in the table below are the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2022	$ 130	$ 26	$ 1
2023	133	25	1
2024	134	25	1
2025	137	25	1
2026	138	25	1
2027-2031	688	113	3

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

Presented in the table below are the significant assumptions related to the pension and other postretirement benefit plans:

	Pension Benefits			Other Benefits		
	2021	2020	2019	2021	2020	2019
Weighted average assumptions used to determine December 31 benefit obligations:						
Discount rate	2.94%	2.74%	3.44%	2.90%	2.56%	3.36%
Rate of compensation increase	3.51%	3.51%	2.97%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from	graded from	graded from
				6.00% in 2022	6.25% in 2021	6.50% in 2020
				to 5.00% in 2026+	to 5.00% in 2026+	to 5.00% in 2026+
Weighted average assumptions used to determine net periodic cost:						
Discount rate	2.74%	3.44%	4.38%	2.56%	3.36%	4.32%
Expected return on plan assets	6.50%	6.50%	6.20%	3.67%	3.68%	3.56%
Rate of compensation increase	3.51%	2.97%	3.00%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from	graded from	graded from
				6.25% in 2021	6.50% in 2020	6.75% in 2019
				to 5.00% in 2026+	to 5.00% in 2026+	to 5.00% in 2026+

NOTE "N/A" in the table above means assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns. The Company's pension expense increases as the expected return on assets decreases. The Company used an expected return on plan assets of 6.50% to estimate its 2021 pension benefit costs, and an expected blended return based on weighted assets of 3.67% to estimate its 2021 other postretirement benefit costs.

The Company had previously adopted a mortality table based on the Society of Actuaries RP 2014 mortality table including a generational MP-2018 projection scale. In 2020, the Company adopted the Pri-2012 base mortality table and the new MP-2020 mortality improvement scale to replace the previous assumption. In 2021, the Company utilized the Pri-2012 base mortality table and the new MP-2021 mortality improvement scale to replace the previous assumption.

Presented in the table below are the components of net periodic benefit costs for the years ended December 31:

	2021	2020	2019
Components of net periodic pension benefit cost:			
Service cost	$ 36	$ 31	$ 28
Interest cost	64	73	82
Expected return on plan assets	(126)	(111)	(91)
Amortization of prior service (credit) cost	(3)	(3)	(3)
Amortization of actuarial loss	27	30	32
Settlements (a)	—	1	—
Net periodic pension benefit cost	$ (2)	$ 21	$ 48
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial loss (gain)	$ 1	$ 12	$ (8)
Amortization of actuarial loss	(4)	(3)	(4)
Total recognized in other comprehensive income	(3)	9	(12)
Total recognized in net periodic benefit cost and other comprehensive income	$ (5)	$ 30	$ 36
Components of net periodic other postretirement benefit (credit) cost:			
Service cost	$ 4	$ 4	$ 4
Interest cost	10	12	15
Expected return on plan assets	(21)	(19)	(18)
Amortization of prior service credit	(32)	(34)	(35)
Amortization of actuarial loss	—	2	3
Net periodic other postretirement benefit (credit) cost	$ (39)	$ (35)	$ (31)

(a) Due to the amount of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan, settlement charges of less than $1 million were recorded for both years ended December 31, 2021 and 2020. In accordance with existing regulatory accounting treatment, the Company has maintained the settlement charges in regulatory assets on the Consolidated Balance Sheets. The amount is being amortized in accordance with existing regulatory practice.

The Company's policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service of the current active membership for the plans.

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company's 401(k) savings plan expenses totaled $14 million, $12 million and $12 million for 2021, 2020 and 2019, respectively. Additionally, the Company's 5.25% of base pay defined contribution benefit expenses totaled $16 million, $15 million and $13 million for 2021, 2020 and 2019, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 17: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to $626 million as of December 31, 2021.

In December 2021, the Company authorized the contribution of $45 million to the American Water Charitable Foundation, which was subsequently paid in January 2022.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Presented in the table below are the future annual commitments related to minimum quantities of purchased water having non-cancelable contracts:

	Amount
2022	$ 71
2023	65
2024	51
2025	49
2026	49
Thereafter	507

The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. See Note 5—Revenue Recognition for additional information regarding the Company's performance obligations.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2021, the Company has accrued approximately $7 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is $2 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 17—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, the Company's West Virginia subsidiary ("WVAWC") and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the $126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is $19 million. As of December 31, 2021, $0.5 million of the aggregate Settlement amount of $126 million has been reflected in accrued liabilities, and $0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets. The amount reflected in accrued liabilities as of December 31, 2021 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund's appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys' fees and claims administration costs. The Company funded WVAWC's contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. On January 28, 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 16, 2021, oral argument was heard by the Circuit Court on the issue of addressing the Supreme Court of Appeals' remand. This matter remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. The court has entered an agreed scheduling order, which sets a hearing in October 2022 to address the question of class certification.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the 2016 Order") approving a deadline of December 31, 2021 for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the 2009 Order and the 2016 Order.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated incurred costs plus AFUDC, subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am has incurred $186 million in aggregate costs as of December 31, 2021 related to the Water Supply Project, which includes $47 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and on November 29, 2021, Cal Am filed an application with the CPUC seeking review and approval of the amended and restated water purchase agreement. Cal Am is also requesting rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This amount is in addition to, and consistent in regulatory treatment with, the prior $50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the "Coastal Commission"), as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. Cal Am responded with the requested additional information on January 11, 2022, and on February 8, 2022, the Coastal Commission requested additional information. The original jurisdiction application remains pending.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirements contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 18: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations for the years ended December 31:

	2021	2020	2019
Numerator:			
Net income attributable to common shareholders	$ 1,263	$ 709	$ 621
Denominator:			
Weighted average common shares outstanding—Basic	182	181	181
Effect of dilutive common stock equivalents	—	1	—
Weighted average common shares outstanding—Diluted	182	182	181

The effect of dilutive common stock equivalents is related to outstanding stock options, RSUs and PSUs granted under the Company's 2007 Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Plan, as well as estimated shares to be purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2021, 2020 and 2019, because their effect would have been anti-dilutive under the treasury stock method.

Note 19: Fair Value of Financial Information

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note from the sale of HOS approximates fair value.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of December 31, 2021				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 4	$ —	$ —	$ 6	$ 6
Long-term debt (excluding finance lease obligations)	10,396	10,121	60	1,637	11,818

	As of December 31, 2020				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 5	$ —	$ —	$ 7	$ 7
Long-term debt (excluding finance lease obligations)	9,656	9,639	415	1,753	11,807

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

Level 3—Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 21	$ —	$ —	$ 21
Rabbi trust investments	23	—	—	23
Deposits	27	—	—	27
Other investments	17	—	—	17
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	88	—	72	160
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total assets	$ 61	$ —	$ 72	$ 133

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 29	$ —	$ —	$ 29
Rabbi trust investments	19	—	—	19
Deposits	4	—	—	4
Other investments	11	—	—	11
Total assets	63	—	—	63
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	$ 39	$ —	$ —	$ 39

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices.

Mark-to-market derivative assets and liabilities — The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no significant mark-to-market derivatives outstanding as of December 31, 2021.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Contingent cash payment from the sale of HOS — The Company's contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other long-term assets on the Consolidated Balance Sheets. The fair value of the contingent cash payment is estimated using the probability of the outcome of receipt of the $75 million, a Level 3 input.

Note 20: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 38 years, five years, and five years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $146 million and $147 million as of December 31, 2021 and 2020, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $4 million in 2022 through 2026, and $48 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were $13 million, $14 million and $16 million for the years ended December 31, 2021, 2020 and 2019, respectively.

For the year ended December 31, 2021, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, was $13 million. For the year ended December 31, 2021, ROU assets obtained in exchange for new operating lease liabilities was $11 million.

As of December 31, 2021, the weighted-average remaining lease term of the finance lease and operating leases were four years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at December 31, 2021 are $12 million in 2022, $9 million in 2023, $9 million in 2024, $8 million in 2025, $7 million in 2026 and $89 million thereafter. At December 31, 2021 imputed interest was $45 million.

Note 21: Segment Information

The Company's operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses.

The Regulated Businesses segment is the largest component of the Company's business and includes subsidiaries that provide water and wastewater services to customers in 14 states.

The Company's primary Market-Based Businesses include MSG, which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations, and the Company's former HOS business, which was sold in the fourth quarter of 2021, and previously provided various warranty protection programs and other home services to residential customers.

The accounting policies of the segments are the same as those described in Note 2—Significant Accounting Policies. The Regulated Businesses segment and Market-Based Businesses include intercompany costs that are allocated by Service Company and intercompany interest that is charged by AWCC, both of which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues include the sale of water from a regulated subsidiary to market-based subsidiaries, leased office space, and furniture and equipment provided by the market-based subsidiaries to regulated subsidiaries. "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments, and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information as of and for the years ended December 31:

	2021			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 3,384	$ 563	$ (17)	$ 3,930
Depreciation and amortization	601	22	13	636
Total operating expenses, net	2,227	510	(3)	2,734
Interest expense	(290)	(7)	(106)	(403)
Interest income	1	3	—	4
Gain or (loss) on sale of businesses	(1)	748	—	747
Income before income taxes	962	798	(120)	1,640
Provision for income taxes	172	248	(43)	377
Net income attributable to common shareholders	789	550	(76)	1,263
Total assets	23,365	514	2,196	26,075
Cash paid for capital expenditures	1,747	8	9	1,764

	2020			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 3,255	$ 540	$ (18)	$ 3,777
Depreciation and amortization	562	26	16	604
Total operating expenses, net	2,102	421	6	2,529
Interest expense	(293)	(7)	(97)	(397)
Interest income	2	8	(8)	2
Income before income taxes	932	120	(128)	924
Provision for income taxes	217	29	(31)	215
Net income attributable to common shareholders	715	91	(97)	709
Total assets	22,357	891	1,518	24,766
Cash paid for capital expenditures	1,804	10	8	1,822

	2019			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	$ 3,094	$ 539	$ (23)	$ 3,610
Depreciation and amortization	529	37	16	582
Total operating expenses, net	1,964	436	(4)	2,396
Interest expense	(299)	(8)	(79)	(386)
Interest income	4	13	(13)	4
Income before income taxes	869	66	(102)	833
Provision for income taxes	215	20	(23)	212
Net income attributable to common shareholders	654	46	(79)	621
Total assets	20,318	1,008	1,356	22,682
Cash paid for capital expenditures	1,627	13	14	1,654

Note 22: Unaudited Quarterly Data

Presented in the tables below are supplemental, unaudited, consolidated, quarterly financial data for each of the four quarters in the years ended December 31, 2021 and 2020, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2021			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 888	$ 999	$ 1,092	$ 951
Operating income	229	330	417	220
Net income attributable to common shareholders	133	207	278	645
Basic earnings per share: (a)				
Net income attributable to common shareholders	$ 0.73	$ 1.14	$ 1.53	$ 3.55
Diluted earnings per share:				
Net income attributable to common shareholders	0.73	1.14	1.53	3.55

(a) Amounts may not sum due to rounding.

	2020			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 844	$ 931	$ 1,079	$ 923
Operating income	239	313	433	263
Net income attributable to common shareholders	124	176	264	145
Basic earnings per share: (a)				
Net income attributable to common shareholders	$ 0.69	$ 0.97	$ 1.46	$ 0.80
Diluted earnings per share:				
Net income attributable to common shareholders	0.68	0.97	1.46	0.80

(a) Amounts may not sum due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Company's President, Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, the Company's President, Chief Executive Officer and Chief Financial Officer has concluded that, as of December 31, 2021, the Company's disclosure controls and procedures were effective at a reasonable level of assurance. The Company's disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's President, Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's President, Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect its transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of its management and its directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Company's President, Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of its internal control over financial reporting, as of December 31, 2021, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the Company's evaluation under the framework in *Internal Control—Integrated Framework (2013)*, its management concluded that its internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during its last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not set forth below or in Item 1—Business—Executive Officers of this Annual Report on Form 10-K, is incorporated by reference from the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Board of Directors and Corporate Governance," "Proposal 1—Election of Directors" and "Certain Beneficial Ownership Matters—Delinquent Section 16(a) Reports."

The Company has adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on the Company's website at *https://amwater.com*. The Company intends to post on its website any amendments to the Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders, under the captions entitled "Proposal 1—Election of Directors—Director Compensation Table," "Compensation Discussion and Analysis," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders, under the captions entitled "Certain Beneficial Ownership Matters—Security Ownership of Management," "Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders, under the caption entitled "Board of Directors and Corporate Governance—Board Review of Related Person Transactions" and "Proposal 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders, under the caption entitled "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Fees Paid to Independent Registered Public Accounting Firm" and "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Pre-Approval of Services Provided by Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents have been filed as a part of this Annual Report on Form 10-K:

1. The financial statements listed in the "Index to Consolidated Financial Statements" contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).
2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.
3. Exhibits. The list of documents contained in "Exhibit Index" below is provided in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company's or its subsidiaries' securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1.1#	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among American Water Works Company, Inc., Liberty Utilities (Eastern Water Holdings) Corp. and New York American Water Company, Inc., with respect to the Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
2.2#	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, American (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Works Company, Inc. and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
4.1	Indenture, dated as of October 22, 2007, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.4	Officers' Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.5	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.6	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.7	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.8	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.9	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.10	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.11	Officers' Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.12	Officers' Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).

Exhibit Number	Exhibit Description
4.13	Officer's Certificate, dated August 9, 2018, establishing the 3.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.14	Officer's Certificate, dated August 9, 2018, establishing the 4.200% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.15	Officers' Certificate, dated May 13, 2019, establishing the 3.450% Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.16	Officers' Certificate, dated May 13, 2019, establishing 4.150% Senior Notes due 2049 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.17	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 2.800% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.18	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 3.450% Senior Notes due 2050 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.19	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.20	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.21	Description of American Water Works Company, Inc.'s Equity Securities (filed herewith).
4.22	Note Purchase Agreement, dated May 15, 2008, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 19, 2008) with respect to the 6.55% Series H Senior Notes due May 15, 2023.
10.1.1	Second Amended and Restated Credit Agreement, dated as of March 21, 2018, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on March 21, 2018).
10.1.2	Extension Agreement, dated as of April 9, 2019, among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.17.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.1.3	Extension Agreement, dated as of April 1, 2020, among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed on May 6, 2020).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Offer Letter for Employment, dated as of February 2, 2022, between American Water Works Company, Inc. and M. Susan Hardwick (filed herewith).
10.4*	Offer Letter for Employment, dated August 5, 2020, between American Water Works Company, Inc. and Adam Noble (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 4, 2020).
10.5*	Offer Letter for Employment, dated February 16, 2021, between American Water Works Company, Inc. and Cheryl Norton (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.6*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.7*	Separation Agreement and General Release, dated as of February 2, 2022, between American Water Works Service Company, Inc. and Walter J. Lynch (filed herewith).
10.8*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.9.1*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of June 1, 2018 (incorporated by reference to Exhibit 10.9.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 19, 2019).
10.9.2*	Amendment No. 2019-1 to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as amended and restated, effective as of November 1, 2019 (incorporated by reference to Exhibit 4.1.2 to American Water Works Company, Inc.'s Registration Statement on Form S-8, File No. 333-235598, filed December 19, 2019).
10.10*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.11.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.11.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).

Exhibit Number	Exhibit Description
10.12*	Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 31, 2018).
10.13.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.13.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.13.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.13.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.5*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.13.6*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.3.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.13.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.8*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.2.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.9*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.13.10*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.13.11*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.14.1*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.14.2*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.3*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.14.4*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant.(incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.5*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.6*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant dated February 11, 2020 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.7*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant dated August 31, 2020 (for Adam Noble) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 4, 2020).
10.14.8*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.9*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.10*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.11*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.12*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.13*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.14*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.15*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.14.16*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form B-1 (corrected) (incorporated by reference to Exhibit 10.14.33 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.14.17*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).

Exhibit Number	Exhibit Description
10.14.18*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.19*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.10 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.20*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.21*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.14 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.22*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.15 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.23*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.24*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-2(for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.25*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.26*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.27*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-2 (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.10 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.28*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.29*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.30*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 1, 2018).
10.14.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2020).
10.14.32*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.15*	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.16*	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.17.1*	American Water Works Company, Inc. Pension Plan for Employees (as amended and restated effective January 1, 2016), dated January 24, 2017(incorporated by reference to Exhibit 10.16.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.17.2*	American Water Works Company, Inc. Amendment Two to the Pension Plan for Employees (as amended and restated effective January 1, 2016), dated December 19, 2018 (incorporated by reference to Exhibit 10.16.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.17.3*	American Water Works Company, Inc. Amendment Three to the Pension Plan for Employees (as amended and restated effective January 1, 2016), dated August 2, 2021 (filed herewith).
10.17.4*	American Water Works Company, Inc. Amendment 2021-1 to the Pension Plan for Employees (as amended and restated effective January 1, 2016), dated January 20, 2022 (filed herewith).
10.18#	Secured Seller Note Agreement, dated December 9, 2021, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
10.19	Revenue Share Agreement, dated December 9, 2021, by and among American Water Works Company, Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC and American Water Resources Holdings, LLC (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
22.1	Guaranteed Securities (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).

Exhibit Number	Exhibit Description
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

The Stock Purchase Agreement filed as Exhibit 2.1.1, the Membership Interest Purchase Agreement filed as Exhibit 2.2, and the Secured Seller Note Agreement filed as Exhibit 10.18 to this Annual Report on Form 10-K have been included to provide investors and security holders with information regarding the terms of the respective agreements. The filing of these agreements is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the respective agreements (i) were made by the parties thereto only for purposes of that respective agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the respective agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the respective agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the respective agreements instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties to the respective agreements that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties to the respective agreements thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the respective agreements may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The respective agreements should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 16th day of February, 2022.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President, Chief Executive Officer and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 16th day of February, 2022, by the following persons in the capacities indicated.

/s/ M. SUSAN HARDWICK

M. Susan Hardwick
President, Chief Executive Officer and
Chief Financial Officer
(Principal Executive Officer, Principal Financial Officer and Director)

/s/ JEFFREY N. EDWARDS

Jeffrey N. Edwards
(Director)

/s/ MELISSA K. WIKLE

Melissa K. Wikle
Chief Accounting Officer
(Principal Accounting Officer)

/s/ MARTHA CLARK GOSS

Martha Clark Goss
(Director)

/s/ VERONICA M. HAGEN

Veronica M. Hagen
(Director)

/s/ KIMBERLY J. HARRIS

Kimberly J. Harris
(Director)

/s/ JULIA L. JOHNSON

Julia L. Johnson
(Director)

/s/ PATRICIA L. KAMPLING

Patricia L. Kampling
(Director)

/s/ KARL F. KURZ

Karl F. Kurz
(Chairman of the Board)

/s/ GEORGE MACKENZIE

George MacKenzie
(Director)

/s/ JAMES G. STAVRIDIS

James G. Stavridis
(Director)

Exhibit 4.21

DESCRIPTION OF AMERICAN WATER WORKS COMPANY, INC.'S EQUITY SECURITIES

The following description of the common stock, par value $0.01 per share (the "Common Stock"), of American Water Works Company, Inc., a Delaware corporation (the "Company"), is not intended to be complete. For more information regarding the Common Stock, please refer to the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation"), and the Company's Amended and Restated Bylaws (the "Bylaws"), which have been filed as Exhibits 3.1 and 3.2, respectively, to the Company's Annual Report on Form 10-K for the year ended December 31, 2021. The following descriptions are based on the Certificate of Incorporation and Bylaws in effect as of February 16, 2022. The terms and provisions of the Certificate of Incorporation and Bylaws are hereby incorporated by reference herein. The terms of these securities also may be affected by the General Corporation Law of the State of Delaware (the "DGCL").

General

The Company's authorized capital stock consists of 500,000,000 shares of Common Stock and 50,000,000 shares of preferred stock. As of February 10, 2022, there were 181,724,991 shares of Common Stock outstanding and no shares of preferred stock outstanding.

Common Stock

Voting Rights

Other than with respect to director elections, except as otherwise required by law, all matters to be voted on by the Company's shareholders must be approved by a majority of the shares present in person or proxy at such meeting and entitled to vote on the subject matter. With respect to uncontested director elections, the Bylaws require that in order to be elected, a director nominee must receive a majority of the votes cast (for this purpose, a majority of the votes cast means that the number of shares voted "for" a director nominee must exceed the number of votes cast "against" that nominee). For contested director elections where the number of nominees exceeds the number of directors to be elected, the Bylaws require that the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors.

Dividends

Holders of Common Stock will share equally in any dividend declared by the Company's board of directors (the "Board"), subject to the rights of the holders of any outstanding preferred stock.

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company's affairs, holders of Common Stock would be entitled, after payment of the liquidation preference to all holders of any outstanding preferred stock, to share ratably in the Company's assets that are legally available for distribution to shareholders after payment of liabilities. The Company must pay the applicable distribution to any holders of its preferred stock before it may pay distributions to the holders of Common Stock.

Other Rights

The Company's shareholders have no preemptive or other rights to subscribe for additional shares.

Preferred Stock

The Board may authorize the issuance of preferred stock from time to time in one or more series, without shareholder approval. Subject to the limits imposed by the DGCL, the Board is authorized to fix for any series of preferred stock the number of shares of such series and the voting powers (if any), designation, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of such series. The Board is also authorized to increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by the Company's shareholders.

The Board may authorize the issuance of preferred stock with voting or conversion rights that affect adversely the voting power or other rights of holders of Common Stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying, deferring or preventing a change in control, causing the market price of a share of Common Stock to decline, or impairing the voting and other rights of the holders of Common Stock.

Certain Anti-Takeover Provisions of the Certificate of Incorporation and Bylaws, and the DGCL

The following provisions of the Certificate of Incorporation and Bylaws could deter, delay or prevent a third party from acquiring the Company, even if doing so would benefit the Company's shareholders.

Undesignated Preferred Stock

The ability to authorize undesignated preferred stock makes it possible for the Board to authorize the issuance of preferred stock with super voting, special approval, dividend or other rights or preferences on a discriminatory basis that could impede the success of any attempt to acquire the Company. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of the Company.

Requirements for Advance Notification of Shareholder Meetings, Nominations and Proposals

The Bylaws provide that special meetings of shareholders may be called only upon the request of the majority of the members of the Board, upon request of the Chairman of the Board, or by the Secretary of the Company upon request of shareholders holding at least 15% of the outstanding Common Stock. The Bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting.

The Bylaws establish advance notice procedures with respect to shareholder proposals for annual meetings and the nomination of candidates for election as directors, other than nominations made by or at the direction of the Board or a committee thereof. A shareholder who wishes to bring a matter before a meeting must comply with the Company's advance notice requirements and provide the Company with certain information. Additionally, vacancies and newly created directorships may be filled only by a vote of a majority of the members of the Board then in office, even though less than a quorum, or by shareholders. These provisions may defer, delay or discourage a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of the Company.

Shareholder Action by Written Consent

As permitted by Section 228 of the DGCL, the Certificate of Incorporation states that any action required or permitted to be taken by the Company's shareholders must be effected at a duly called annual or special meeting and may not be effected by consent in writing by such shareholders.

Certain Anti-Takeover Matters

A significant number of the Company's regulated subsidiaries are subject to economic regulation by state public utility commissions. Some of these states have enacted laws that require regulatory approval for the acquisition of "control" of any regulated utility. In those states, obtaining "control" of the parent or any other company that controls a regulated utility also requires prior regulatory approval. The threshold for a change in control is a fact-specific inquiry that varies by state. For example, in some states, a presumption of control will arise when an acquiring party acquires more than 9.9% of the voting securities of the regulated utility or the controlling entity. In addition to ownership, other states may analyze the degree of influence or control an acquiror may exert over the company. Any person acquiring Common Stock in an offering or in any other purchase of Common Stock in an amount sufficient to trigger a change in control under state law would need the prior approval of the applicable state public utility commission.

Certain Other Provisions of the Certificate of Incorporation and Bylaws and the DGCL

Board of Directors

The Certificate of Incorporation provides that the number of directors is fixed in the manner provided in the Bylaws. The Bylaws provide that the number of directors will be fixed from time to time by the Board.

Business Combinations under Delaware Law

The Company is subject to Section 203 of the DGCL, which prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the time the shareholder became an "interested stockholder," subject to certain exceptions, including if, prior to such time, the board of directors approved the business combination or the transaction which resulted in the shareholder becoming an "interested stockholder." "Business combinations" include mergers, asset sales and other transactions resulting in a financial benefit to the "interested stockholder." Subject to various exceptions, an "interested stockholder" is a person who, together with his or her affiliates and associates, owns, or within the prior three years did own, 15% or more of the corporation's outstanding voting stock. These restrictions generally prohibit or delay the accomplishment of mergers or other takeover or change-in-control attempts that are not approved by a company's board of directors.

Limitations of Liability and Indemnification of Directors and Officers

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties. The Certificate of Incorporation includes a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director to the fullest extent authorized by the DGCL. The DGCL does not permit exculpation for liability:

- for breach of the duty of loyalty;

- for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;
- under Section 174 of the DGCL (relating to unlawful dividends or stock repurchases); or
- for transactions from which the director derived an improper personal benefit.

The Certificate of Incorporation and Bylaws provide that the Company will indemnify its directors and officers to the fullest extent permitted by law. The Bylaws also expressly authorize the Company to carry directors' and officers' insurance providing indemnification for its directors, officers and certain employees and agents for certain liabilities.

The limitation of liability and indemnification provisions in the Certificate of Incorporation and Bylaws may discourage shareholders from bringing a lawsuit against the Company's directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against the Company's directors and officers, even though such an action, if successful, might otherwise benefit the Company and its shareholders. In addition, an investment in the Common Stock may be adversely affected to the extent the Company pays the costs of settlement and damage awards against directors and officers in accordance with these indemnification provisions.

Proxy Access

The Bylaws permit an eligible shareholder or group of shareholders to include up to a specified number of director nominees in the Company's proxy materials for an annual meeting of shareholders. To qualify, the shareholders (or group of up to 20 shareholders) must have continuously owned for at least three years 3% or more of the Company's outstanding common stock. The maximum number of shareholder nominees permitted under this proxy access provision is the greater of (i) two or (ii) 20% of the total number of directors on the Company's board of directors as of the last day on which a proxy access notice may be submitted, rounded down to the nearest whole number.

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC serves as the registrar and transfer agent for the Common Stock.

New York Stock Exchange Listing

The Common Stock is listed on the New York Stock Exchange under the trading symbol "AWK."

Exhibit 10.3

AMERICAN WATER

February 2, 2022

Ms. M. Susan Hardwick
14141 S. Penn Square Unit 37D
Philadelphia, PA 19102

Dear Susan:

On behalf of American Water Works Company, Inc. (the "Company") and its Board of Directors, we are pleased to offer you the position of Chief Executive Officer and President, effective February 2, 2022. As Chief Executive Officer and President of the Company, you shall have the authority to control the day-to-day operations of the Company and its corporate strategy subject to the Company's Bylaws and Delegation of Authority and to the directors and decisions of the Company's Board of Directors. You will also be elected to serve as a member of the Board of Directors, without additional compensation for such service. The following are the terms and conditions of your employment as the Company's Chief Executive Officer and President.

Base Salary: You will receive a bi-weekly salary of $38,461.54, which when annualized, would be approximately $1,000,000, subject to applicable withholdings. The salary grade for your position will be 100. Your compensation will be reviewed annually based on your performance as assessed by the independent members of the Board of Directors.

APP: You will continue to participate in the Company's Annual Performance Plan (APP). Your target award under the APP is 110% of your annual base salary, and for 2022 will not be prorated and will be based on your new salary and target levels. Under the terms of the APP, your actual award payout may be up to 200% of your target award and will be dependent on both (i) your individual performance which may result in an individual performance factor range of 0 to 200% of your target award and (ii) the application of the Company's Corporate Multiplier (which may range from 0 to 150%) to your individual award. The independent members of the Board of Directors will establish each performance year a set of mutually agreed upon APP goals and objectives for you as CEO and President. Your APP award for 2022 will be based on the level of progress towards achieving the goals and objectives that were agreed upon and approved by the independent members of the Board of Directors, as reflected in the minutes of the meeting of the Board of Directors at which they were approved. Your APP award target must be approved by the Executive Development and Compensation Committee, as well as the independent members of the Board.

LTPP: You will continue to participate in American Water's Long Term Performance Plan (LTPP). Your target payout under the LTPP is 400% of your annual base salary. Your grant for 2022 will be based on your new target. For reference purposes, awards are currently granted in the following forms of equity in the Company: 30% in restricted stock units, 35% in performance stock units based on relative total shareholder return (TSR) ranking and 35% percent in performance stock units based on compounded adjusted EPS growth. LTPP awards are granted under the terms and conditions of the Company's 2017 Omnibus Equity Compensation Plan, as it may be amended from time to time (the Plan), the LTPP program then in effect, and a grant document. Your LTPP awards must be approved by the Executive Development and Compensation Committee of the Board, as well as the independent members of the Board. In the event of any conflict between the terms of your offer letter and the terms of the Plan, the LTPP program then in effect and the grant document, the terms of those other documents will govern.

AMERICAN WATER

In addition, as CEO and President, your equity awards will include specific post-retirement continued vesting provisions applicable to that position. Under these provisions, equity awards granted to you in this role will continue to vest over the normal vesting schedule of the award following your separation of service based upon either normal retirement, as follows:

- in the event of a normal retirement, defined as having attained age 60 and five years of service, an award will continue to vest in full; and
- in the event of an early retirement, defined as having attained age 55 and five years of service, 75 percent of each award will continue to vest.

Interim CEO compensation: In recognition and appreciation of your role as interim CEO from December 3, 2021 to January 31, 2022, you will receive a one time lump sum cash payment of $100,000, subject to applicable withholdings, which will be paid to you in the next pay period.

Executive Severance Policy and Change of Control Severance Policy: You will be entitled to the benefits and subject to the terms of the Company's executive severance policy and Change of Control Severance Policy, which provide severance benefits to executives whose employment is terminated under specified circumstances by American Water for reasons other than cause.

Benefits: You will continue to be eligible to participate in American Water's comprehensive benefits program for you and your eligible dependents.

401(k) Savings Plan: You will continue to be eligible to participate in the 401(k) Savings Plan.

Non-Qualified Deferred Compensation: You will continue to be eligible to participate in our Non-Qualified Deferred Compensation Plan. The Company may make Employer Matching and Defined Contribution Account contributions as soon as administratively practicable after the end of the applicable plan year.

Vacation/Holidays: You are entitled to five (5) weeks of vacation, six (6) floating holidays and eight (8) fixed holidays per calendar year which must be used in accordance with the Company's vacation policy.

American Water Confidential

AMERICAN WATER

Susan, we look forward to working with you as CEO and President as you continue to execute on our strategy and grow the Company.

Please signify your agreement with the foregoing terms of your continued employment by returning to my attention the original of this Agreement.

Sincerely,
/s/ KARL F. KURZ
Chairman of the Board
cc: Melanie Kennedy, EVP and Chief Human Resources Officer

I, Susan Hardwick, understand that my employment with American Water is "at will," which means that I am not guaranteed employment or any particular job for any specified period of time. The Company or I may terminate my employment at any time, for any or no reason, with or without cause.

/s/ M. SUSAN HARDWICK
Signature

February 2, 2022
Date

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release ("Agreement") is between American Water Works Service Company, Inc. ("American Water" or the "Company") and Walter Lynch ("Executive").

WHEREAS, Executive is a full-time executive employee of American Water;

WHEREAS, Executive is voluntarily retiring from his employment with American Water, which will end on February 2, 2022 (the "Separation Date");

WHEREAS, Executive and American Water have agreed to resolve all claims and potential claims which have been, or could have been, brought by Executive against American Water arising out of Executive's employment with American Water to date;

WHEREAS, Executive and American Water desire to enter into this Agreement to document the terms of the separation of Executive's employment with American Water, with the parties agreeing that neither party admits wrongdoing, fault, or liability whatsoever, and that nothing herein shall be construed or interpreted as an admission of any wrongdoing, fault or liability of either party; and

NOW THEREFORE, in consideration of the mutual promises and releases contained herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Consideration.**

a. Severance. American Water shall pay Executive's current base salary from February 2022 through January 2023 (the "Severance Period"), which will be paid on American Water's regular pay schedule beginning the first regular pay day in February 2022 (the "Severance Payment"), provided that Executive (i) is not in breach of his obligations under Section 4 of this Agreement and (ii) has not otherwise revoked his waiver of any potential claims under the Age Discrimination in Employment Act of 1967 ("ADEA") or the Older Workers Benefit Protection Act ("OWBPA") in accordance with Section 9 of this Agreement. This amount will be subject to regular lawful withholdings and deductions.

b. Group Health Insurance. Executive, at his option, may continue to participate in American Water's group health insurance plan pursuant to the federal Consolidated Omnibus Budget Reconciliation Act, as amended ("COBRA"). American Water will reimburse all COBRA premiums and related costs for Executive during the Severance Period. Thereafter, Executive and any eligible dependents will be entitled to continue health care coverage at Executive's sole expense for the remaining balance of the coverage period pursuant to COBRA. Executive's right to COBRA health care continuation will be set forth in a

separate letter. If Executive elects not to participate in the Company's group health insurance plan or if Executive fails to make timely monthly contributions (as this term is defined in the COBRA documentation that shall be provided Executive), Executive shall lose all eligibility for continued participation in the Company's group health insurance plan.

2. **Valid Consideration.** Executive acknowledges and agrees that the consideration set forth in Section 1, in addition to any other salary, benefits, and terms and conditions of employment that he is receiving by way of this Agreement to which he is not otherwise entitled: (i) is not required by the Company's policies or procedures or by any pre-existing contractual obligation of American Water, (ii) constitutes valid consideration for the Executive's promises and obligations under this Agreement, and (iii) is in complete satisfaction of any and all compensation and benefits due to Executive from the Company (other than any of Executive's accrued benefits that vested prior to the Separation Date or as otherwise provided in Section 8).

3. **Confidentiality; Non-Disclosure; Return of Property, Disparaging Statements, References.**

   a. Confidentiality. Executive understands and agrees that the terms and contents of this Agreement shall remain confidential and shall not be disclosed by Executive or Executive's agents and representatives, with the exception of: (1) disclosure to members of Executive's immediate family, Executive's attorneys, accountants, tax or financial advisors, each of who shall be informed of this confidentiality obligation and shall agree to be bound by its terms; (2) disclosure to the Internal Revenue Service or state or local taxing authority; (3) disclosure as is expressly required or protected by law; (4) disclosure by American Water or its parent company, American Water Works Company, Inc., through a press release or in a filing with the Securities and Exchange Commission, or to a national stock exchange; (5) any disclosures made by the Executive to pursuant to the whistleblower provisions in the Exchange Act (15 U.S.C. § 78u-6) and the Sarbanes Oxley Act of 2002 (18 U.S.C. § 1514A); or (6) in any action to challenge or enforce the terms of this Agreement provided that such disclosure is covered by an appropriate confidentiality order to the maximum extent permitted by the applicable authority. Nothing contained in this Agreement shall preclude Executive from initiating and/or cooperating fully with any governmental investigation.

   b. Non-Disclosure of Confidential Information and Trade Secrets. Executive acknowledges that as an employee of American Water, Executive had access to and was entrusted with the Company's confidential and proprietary business information and trade secrets defined in this Section 3(b)(i). At all times prior to, during, and following Executive's separation from employment with American Water, Executive represents that he has maintained and agrees that Executive will continue to maintain such information in strict confidence and has not disclosed, used, transferred or sold and will not disclose, use, transfer or sell (directly or

indirectly) such information to any third party (except as may be required by law or legal process) so long as such information or proprietary data remains confidential and has not been properly and lawfully disclosed or is not otherwise in the public domain. Executive further agrees that, at the Company's request, Executive will deliver and/or provide access to any personal computing device, telephone, hard disk, backup tapes, cloud systems, disks or thumb or flash drives for the Company's review and permit the Company to delete all confidential and proprietary business information and trade secrets contained on such devices.

i. Definition of "Confidential and Proprietary Business Information and Trade Secrets. For purposes of this Agreement, "confidential and proprietary business information and trade secrets" includes, but is not limited to, all information about markets, key personnel, operational methods, proprietary intellectual property, real property, plans for future developments, projects in the pipeline, bid information, manuals, books, training materials, forms and procedures, policies, customer or prospective customer lists, customer related data, marketing plans and strategies, financial information, documents relating to any of the foregoing, and other written and oral materials (whether computerized or on hard copy) which are related to the business of the Company and the confidentiality of which the Company attempts to maintain with reasonable efforts and which the Company has not released to the general public.

c. Notice of Immunity for Confidential Disclosure of a Trade Secret to an Attorney, the Government or in a Court Filing. Federal law provides certain protections to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances. Specifically, federal law provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret under either of the following conditions:

- Where the disclosure is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or
- Where the disclosure is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. 18 U.S.C. § 1833(b)(1).

Federal law also provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order. 18 U.S.C. § 1833(b)(2).

d. Return of Property. Executive shall, on or prior to the Separation Date, return to American Water (and shall not retain any copies of) any and all property of the Company in Executive's possession, including (without limitation) all papers, documents, business plans, project or pipeline information, correspondence, office access badge, Company-issued cell phone, garage ID hang-tag, keys, credit cards, electronic or digitally stored information, and computer equipment.

e. Disparaging Statements. Executive agrees not to make written (to include online or other written statements) or oral statements about American Water, its affiliates, or any of the other Releasees (as defined in Section 5(a) below) that are negative or disparaging. Nothing in this Agreement shall preclude Executive from communicating or testifying truthfully (i) to the extent required or protected by law, (ii) to any federal, state, or local governmental agency, (iii) in response to a subpoena to testify issued by a court of competent jurisdiction, or (iv) in any action to challenge or enforce the terms of this Agreement. Executive understands that this is a material provision of this Agreement.

f. References. Executive agrees that all requests for references will be directed solely to the attention of Melanie Kennedy, Executive Vice President, Chief Human Resources Officer, American Water Works Service Company, Inc., 1 Water Street, Camden, NJ 08102, Melanie.Kennedy@amwater.com.

Upon any request for a reference, Ms. Kennedy will solely confirm Executive's dates of employment with American Water, positions Executive held with American Water, and Executive's last salary earned with American Water.

g. Taxes. As required by law, the Company will issue the appropriate IRS Form(s) at the appropriate time. Any payments provided for herein shall be reduced by any amounts required to be withheld by the Company from time to time under applicable federal, state or local income or employment tax laws or similar statutes or other provisions of law then in effect. Executive agrees that (i) Executive shall be solely responsible for all taxes, including, but not limited to, income and excise taxes, imposed on Executive in respect of amounts paid to Executive by the Company under this Agreement; (ii) Executive shall not seek reimbursement from the Company for such taxes; and (iii) Executive agrees to and does hereby indemnify and hold the Company harmless against any and all tax liability, interest, and/or penalties.

4. **Non-Competition and Non-Solicitation.**

a. Non-Competition.

i. Executive agrees that, during the Severance Period, Executive will not either alone or in association with others engage in any duties for a Competitive Business (as defined below) with respect to any business development opportunity, in either the Company's regulated or market-

based business anywhere in the United States, that is in the Company's pipeline, as of the date Executive executes the Agreement, of which Executive is aware or has been made aware through information received in any business planning session, business performance reviews, growth calls, commercial development committees, or any other manner. Executive agrees that he will not perform such duties either for Executive or any other person or any other business entity or organization that is engaged in any business or enterprise that is competitive with the Company's business ("Competitive Businesses"). The Company has identified the following companies as Competitive Businesses: Algonquin/Liberty, Essential Utilities, NextEra, and Corix.

"Engaging in" on Executive's part shall include the following activities: engaging in, working with, having an interest or concern in, advising, or permitting one's name to be used in connection with, an enterprise or endeavor, either individually, in partnership or in conjunction with any person or persons, firms, associations, companies or corporations, whether as a principal, agent, shareholder, employee, officer, director, partner, consultant or in any manner whatsoever (it is being understood that Executive will retain the right to invest in or have an interest in entities traded on any public market or offered by any national brokerage house, provided that such interest does not exceed 1% of the voting control of that entity).

b. Non-Solicitation.

i. Executive agrees that, during the Severance Period, Executive will not either alone or in association with others call on, solicit, or permit any organization directly or indirectly controlled by Executive or which may employ Executive to call on or solicit, in any manner, any Client of the Company.

"Client" shall mean any corporation, partnership, association, United States military base, or United States (to include federal, state, county or local government) or foreign governmental entity that has or had an account or contract with the Company or any of its subsidiaries or parent during Executive's employment or on the Separation Date regardless of whether Executive has directly worked with such client.

ii. Executive further agrees that, during the Severance Period, Executive will not directly or indirectly, either alone or in association with others solicit, or permit any organization directly or indirectly controlled by Executive or which may employ Executive to solicit, any employee or executive of the Company to leave the employ of the Company, or solicit for employment, hire or engage as an independent contractor, or permit any organization directly or indirectly controlled by Executive or which may employ

Executive to solicit for employment, hire or engage as an independent contractor, any person who was employed by the Company at the time of the termination or cessation of Executive's employment with the Company; provided that this clause shall not apply to the solicitation, hiring or engagement of any individual whose employment with the Company has been terminated for a period of six (6) months or longer at the time of such solicitation, hiring or employment.

c. Extension of Restrictions. If Executive violates any of the provisions of this Section 4, the duration of the provisions shall automatically be extended, and Executive shall continue to be bound by the restrictions set forth in Section 4 until a period of twelve (12) months has expired without any violation of such provisions.

d. Interpretation. If any restriction set forth in Section 4 is found by any court of competent jurisdiction to be overbroad, such restriction shall be enforceable to the maximum extend permissible by law.

e. Equitable Remedies. The restrictions contained in this Section 4 are necessary for the protection of the business and good will of the Company and are considered by Executive to be reasonable for such purpose. Executive agrees that any breach of this Section 4 is likely to cause the Company substantial and irrevocable damage which is difficult to measure. Therefore, in the event of any such breach or threatened breach, Executive agrees that the Company shall be entitled to preliminary and permanent injunctive relief, without the necessity of a bond or other security and without proving actual damages, as well as to an equitable accounting of all earnings, profits and other benefits arising from any violations of this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled, including but not limited to liquidated and punitive damages. Executive further agrees that the Company shall be entitled to its reasonable fees and costs if a court of competent jurisdiction issues a preliminary or permanent injunction against the Executive or a court of competent jurisdiction finds that Executive breached the terms of the Agreement.

5. **General Release of Legal Claims**

a. Executive, on behalf of Executive, and his heirs, executors, administrators, and/or assigns, does hereby releases and forever discharges American Water, together with its parents, subsidiaries, affiliates, predecessors, and successor corporations and business entities, past, present and future, and its and their agents, directors, officers, partners, employees, shareholders, insurers and reinsurers, and employee benefit plans (and the trustees, administrators, fiduciaries, insurers, and reinsurers of such plans) past, present and future, and their heirs, executors, administrators, predecessors, successors, and assigns (collectively, "Releasees"), of and from any and all legally waivable claims, causes of actions, suits, lawsuits, debts, and

demands whatsoever in law or in equity, known or unknown, suspected or unsuspected, which Executive ever had, now has or which Executive's executors administrators, or assigns hereafter may have from the beginning of time to the date Executive executes this Agreement, and including, without limitation, any claims arising from or relating to Executive's employment relationship with American Water, and the termination of such relationship, including, without limitation, any claims arising under Title VII of the Civil Rights Act of 1964 ("Title VII"), the Americans with Disabilities Act ("ADA"), the Employee Retirement Income Security Act ("ERISA"), the Family and Medical Leave Act ("FMLA"), the ADEA, the OWBPA, the New Jersey Law Against Discrimination ("NJLAD"), the Conscientious Employee Protection Act ("CEPA"), the New Jersey Family Leave Act, the New Jersey Millville Dallas Airmotive Plant Job Loss Notification Act, the New Jersey Equal Pay Act, the New Jersey Wage and Hour Law, the New Jersey Wage Payment Act, the New Jersey Constitution, the common law of the State of New Jersey, the Pennsylvania Human Relations Act, the Pennsylvania Equal Pay Law, the Pennsylvania Whistleblower Law, the Pennsylvania Public Employee Relations Act (if applicable), the Pennsylvania Pregnancy Guidelines of the Human Relations Commission, the common law of the State of Pennsylvania, and any and all other federal, state, or local constitutional, statutory, regulatory, or common law causes of action now or hereafter recognized, and any claims for attorneys' fees and costs. Nothing in this Agreement shall waive rights or claims that arise after the date that Executive executes this Agreement.

b. Notwithstanding the broad scope of Section 5(a), this Agreement is not intended to bar any claims that, as a matter of applicable law, whether by statute or otherwise, cannot be waived, such as claims for workers' compensation benefits, unemployment insurance benefits, and any claims that arise after the date that the Executive executes this Agreement. Nothing in this Agreement is intended to interfere with, prevent or prohibit Executive from filing a claim with a federal, state or local government agency that is responsible for enforcing a law on behalf of the government, such as the Equal Employment Opportunity Commission ("EEOC") (including a challenge to the validity of this Agreement), Department of Labor ("DOL"), Securities and Exchange Commission ("SEC") or National Labor Relations Board ("NLRB"). Nor should anything in this Agreement be read to deter or prevent Executive from cooperating with or providing information to such a governmental agency during the course of its investigation or during litigation. However, Executive understands and agrees that, that except for claims brought pursuant to the SEC's Whistleblower Program (15 U.S.C. § 78u-6 and 18 U.S.C. § 1514A), Executive may not recover any monetary benefit or individualized relief as a result of any such claim brought on Executive's behalf.

6. **Cooperation.** Executive agrees that Executive shall cooperate with the Company in the prosecution or defense of any claim currently pending or hereinafter pursued by or against the Company without the payment of any additional compensation other than as set forth in this Agreement. Upon receipt of appropriate supporting documentation,

American Water shall reimburse Executive for all of Executive's approved and reasonable costs and expenses incurred in connection with such cooperation. In the case of legal proceedings involving American Water, to the extent permissible by law, Executive will notify, in writing, the individual then holding the office of General Counsel, American Water Works Service Company, Inc., 1 Water Street, Camden, NJ 08102-1658, of any subpoena or other similar notice to give testimony or provide documentation within two (2) business days of receipt of the same and prior to providing any response thereto. Nothing in this Agreement shall preclude Executive from participating in and fully cooperating with any governmental investigation.

7. **Business Expenses and Compensation.** Executive acknowledges and agrees that (i) should Executive execute this Agreement, the consideration set forth in this Agreement is in complete satisfaction of any and all compensation and benefits due to Executive from the Company, and that no further payments, compensation, benefits or other amounts are owed or will be paid to Executive by the Company, unless specifically described in this Agreement; (ii) Executive has been reimbursed by American Water for all business expenses incurred in conjunction with the performance of Executive's employment and that no other reimbursements are owed to Executive; and (iii) Executive has not suffered any on-the-job injury for which Executive has not already filed a claim.

8. **Accrued Benefits.** In addition to the consideration provided under this Agreement, following the Separation Date, Executive will be entitled to receive (i) any accrued, but unused, vacation as of the Separation Date, which will be paid to Executive on the first Company payroll date that follows the Separation Date and (ii) any accrued or owing, but not yet paid, vested benefits under the Company's 401(k) plan, pension plan, nonqualified deferred compensation plan, and post-employment retirement plan and any other plan in which Executive may have participated, will be paid to Executive at the times provided under such plans. Any restricted stock units and performance stock unit grants that were granted to Executive under the Company's Long Term Performance Plan ("LTPP") that are outstanding as of the Separation Date will be subject to the terms and conditions of the respective grant agreements covering such grants to include the letter agreement between Executive and the Company dated February 12, 2020 (the "Offer Letter").

9. **Acknowledgements.** Executive hereby certifies and acknowledges that:

   a. Executive has read the terms of this Agreement and that Executive understands its terms and effects, including the fact that Executive has agreed to **REMISE, RELEASE, AND FOREVER DISCHARGE** Releasees from all claims set forth in Section 5(a);

   b. Executive is receiving consideration which is in addition to anything of value to which Executive otherwise would have been entitled had Executive not executed this Agreement;

c. Executive enters into this Agreement knowingly and voluntarily without any coercion on the part of any person or entity;

d. Executive was given adequate time to consider all implications and to freely and fully consult with and seek the advice of whomever Executive deemed appropriate;

e. Executive was advised in writing, by way of this Agreement, to consult an attorney before signing this Agreement, and has in fact consulted with attorney Michael O'Connor, Esq.;

f. Executive has been given twenty-one (21) calendar days within which to consider his choice to waive any potential ADEA or OWBPA claims as set forth in Section 5(a) (the "Consideration Period") and, in the event that Executive signs this Agreement and returns it back to the Company in accordance with the Notice provision below during this Consideration Period, said signing constitutes a knowing and voluntary waiver of this Consideration Period. Executive further understands that any non-material changes to this Agreement do not restart the Consideration Period;

g. Executive shall have the right to revoke his waiver of any potential ADEA or OWBPA claims as set forth in Section 5(a) within seven (7) calendar days after signing the Agreement (the "Revocation Period"). If the seventh day is a weekend or national holiday, Executive has until the next business day to revoke. If Executive elects to revoke, Executive shall notify Melanie Kennedy, Executive Vice President, Chief Human Resources Officer, American Water Works Service Company, Inc., 1 Water Street, Camden, NJ 08102, Melanie.Kennedy@amwater.com in writing of Executive's revocation. Unless revoked within this period, Executive's waiver of potential ADEA or OWBPA claims will become irrevocable on the eighth (8th) day after the Agreement is signed;

h. Executive understands that the Consideration Period and Revocation Period set forth in Sections 9(f) and 9(g) above pertain only to Section 5(a)'s waiver of potential ADEA or OWBPA claims, and if he revokes his waiver of any potential ADEA or OWBPA claims, the remaining Sections of this Agreement shall remain fully valid and enforceable to the maximum extent consistent with applicable law, except that the Company will be under no obligation to provide the Severance Payment provided in Section 1;

i. Executive understands that he will not be entitled to receive the Severance Payment provided in Section 1 unless and until (i) Executive executes this Agreement within the Consideration Period, but no earlier than the Separation Date; (ii) the seven (7) day Revocation Period expires without Executive having exercised Executive's right of revocation; and (iii) Executive returns all Company property in accordance with Section 3(d); and

j. Executive does not waive rights or claims that may arise after the date this Agreement is executed.

10. **Indemnification and Similar Rights.** Nothing contained in this Agreement shall be construed to alter, limit, or release any right to indemnification, advanced payment of expenses, or similar rights that the Executive may have pursuant to the Company's bylaws, other governance instruments, insurance coverage, or applicable law relating to actions by the Executive on behalf of the Company within the scope of and during the course of his employment with the Company.

11. **Section 409A.** To the extent applicable, this Agreement is intended to comply with the applicable provisions of section 409(A) of the Internal Revenue Code. Accordingly, all provisions herein are intended to be construed and interpreted to comply with section 409A of the Code or an exemption therefrom. Further, for purposes of section 409A of the Code, it is intended that each payment provided for hereunder, including each payment under a right to receive installment payments, be treated as a separate payment. Executive agrees and understands that neither the Company nor any of the other Releasees (i) have any obligation to indemnify or otherwise protect Executive from the obligation to pay any taxes pursuant to section 409A of the Code and (ii) makes or has made any representation, warranty or guarantee to Executive of compliance under section 409A of the Code.

12. **General Terms.**

a. Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the recipient, two (2) business days after the date when sent to the recipient by reputable express courier service (charges prepaid) or four (4) business days after the date when mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid. Such notices, demands and other communications shall be sent to Executive and to the Company at the addresses set forth below:

If to Executive:
Walter Lynch
11 John James Audubon Way
Marlton, NJ 08053

If to Company:
Melanie Kennedy
Executive Vice President, Chief Human Resources Officer
American Water Works Service Company, Inc.
1 Water Street
Camden, NJ 08102

or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

b. Entire Agreement. This Agreement constitutes and contains the entire agreement and understanding concerning Executive's employment and termination thereof, and the other subject matters addressed herein between the parties, and supersedes and replaces all prior negotiations and all prior agreements proposed or otherwise, whether written or oral, concerning the subject matter hereof. Notwithstanding the foregoing, given Executive's expressed intent to retire, the terms of this Agreement supplement and do not replace any restrictive covenants (including but not limited to non-competition, non-solicitation, and non-disclosure obligations) contained in any other agreements to which Executive is a party, as well as any retirement or benefit plans in which Executive is or becomes a participant, that place greater restrictions on Executive.

c. Modification. This Agreement can be modified only by a writing signed by both Executive and a duly authorized agent of the Company.

d. Assignment. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, executors, administrators, legal representatives, successors and assigns of the Company and Executive.

e. Interpretation of Agreement. If any provision of this Agreement or application thereof to anyone under any circumstances is adjudicated to be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect any other provision or application of this Agreement which can be given effect without the invalid or unenforceable provision or application and shall not invalidate or render unenforceable such provision or application in any other jurisdiction.

f. Choice of Law and Forum. This Agreement shall be governed by the substantive law of the state of New Jersey without regard to its conflict of law rules.

g. Arbitration. Any controversy, dispute, or claim arising out of or relating to this Agreement or an alleged breach thereof, as well as Executive's employment or the termination thereof, shall be settled by confidential and binding arbitration before JAMS. If such controversy, dispute or claim between the parties cannot first be resolved by informal meetings and discussions, the dispute shall be settled by the Employment Arbitration Rules and Procedures of JAMS then in effect, and a corresponding award and judgment may be entered in a court of competent jurisdiction. The arbitration may be initiated by one party by sending a demand for arbitration to the other party, which demand will preclude any party hereto from initiating an action in any court, except as otherwise provided by law. Executive and the Company will equally share the JAMS administrative fees and the arbitrator's fees and expenses, and Executive and the Company will pay their

own attorneys' fees, except as otherwise provided by law. Any such arbitration proceedings shall be confidential and closed to the public. Neither party shall disclose the existence, content, testimony, evidence, or results of the arbitration (the "Confidential Arbitration Information"), except as necessary to comply with legal, statutory, or regulatory requirements. Executive and the Company likewise agree to take all steps necessary to protect the confidentiality of the arbitration proceeding in connection with any related court proceeding, including taking all necessary steps to facilitate of the entry of an appropriate protective order that requires all Confidential Arbitration Information to be filed under seal in any such proceeding, to the extent permissible by law.

The Company and Executive have carefully read and understand all of the provisions of this Agreement. They enter into this Agreement freely, knowingly, and voluntarily. In entering into this Agreement, neither the Company nor Executive is relying upon any representations or promises not expressly set forth in this Agreement. Intending to be legally bound to this Agreement, the Company's representative and Executive sign their names below.

Executive is not permitted to sign this Agreement until February 2, 2022. If Executive signs this Agreement on or before February 2, 2022, it will be disregarded and will need to be re-signed. None of the consideration described in this Agreement will be provided to the Executive unless the Agreement is properly executed.

/s/ MELANIE KENNEDY
Melanie Kennedy
Executive Vice President
Chief Human Resources Officer
American Water Works Service Company, Inc.

Dated: February 2, 2022

/s/ WALTER LYNCH
Walter Lynch

Dated: February 2, 2022

AMENDMENT THREE
TO THE
PENSION PLAN FOR EMPLOYEES OF
AMERICAN WATER WORKS COMPANY, INC.
AND ITS DESIGNATED SUBSIDIARIES
(As Amended and Restated Effective January 1, 2016)

WHEREAS, American Water Works Company, Inc. (the "Company") sponsors the Pension Plan For Employees of American Water Works Company, Inc. And Its Designated Subsidiaries (the "Plan") and its corresponding trust for the benefit of its eligible employees; and

WHEREAS, Section 16.1 of the Plan authorizes the Benefits Administration Committee of American Water Works Company, Inc. and Its Designated Beneficiaries (the "Committee") to amend the Plan for amendments that do not have a material cost; and

WHEREAS, the Committee desires to amend the Plan, to change the age for the required beginning date from age 70-1/2 to age 72, effective as of January 1, 2020.

WHEREAS, this "Amendment" shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment.

NOW THEREFORE, BE IT RESOLVED, that by virtue of the authority reserved to the Committee under Section 16.1 of the Plan, the Plan is hereby amended as follows:

1. Section 6.6(e)(iv) of the Plan is amended to read as follows:

"(iv) Required Beginning Date. April 1 of the calendar year following the year in which a Participant reaches age 70½ (age 72 for distributions required to be made after December 31, 2019 with respect to a Participant who attains age 70-1/2 after such date). The monthly pension of a Participant whose Required Beginning Date is April 1 of the calendar year in which he or she incurs a separation from service shall include an Actuarial Equivalent adjustment to reflect the commencement of payments after April 1 following the calendar year in which he or she attained age 70-1/2. The Actuarial Equivalent adjustment described in the preceding sentence for any year shall reduce (but not below zero) any increase in the Participant's Accrued Benefit for the year attributable to additional Years of Service for benefit accrual and Final Average Earnings."

(Signature Page Follows)

IN WITNESS WHEREOF, this Amendment has been executed this 2nd day of August, 2021.

BENEFITS ADMINISTRATION COMMITTEE OF
AMERICAN WATER WORKS COMPANY,
INC. AND ITS DESIGNATED
SUBSIDIARIES

By: /s/ NICHOLL SALAMONE
Nicholl Salamone

Title: VP, Compensation & Benefits

Exhibit 10.17.4

AMENDMENT 2021-1
TO THE
PENSION PLAN FOR EMPLOYEES OF
AMERICAN WATER WORKS COMPANY, INC.
AND ITS DESIGNATED SUBSIDIARIES

WHEREAS, American Water Works Company, Inc. (the "Company") sponsors the Pension Plan For Employees of American Water Works Company, Inc. and its Designated Subsidiaries (the "Plan") and its corresponding trust for the benefit of eligible employees;

WHEREAS, Section 16.1 of the Plan authorizes the Benefits Administration Committee of American Water Works Company, Inc. and Its Designated Beneficiaries (the "Committee") to amend the Plan for amendments that do not have a material cost;

WHEREAS, pursuant to the Stock Purchase Agreement by and among the Company, New York American Water Company, Inc., and Liberty Utilities Co. (the "Purchaser") dated as of November 20, 2019 (the "Agreement"), the Company agreed to sell New York American Water Company, Inc. and its sole subsidiary, Mt. Ebo Sewage Works, Inc. to Purchaser (the "Transaction");

WHEREAS, the Transaction closed on January 1, 2022 (the "Closing Date");

WHEREAS, the Company desires to (a) freeze benefit accrual effective as of 11:59 pm of the date immediately prior to the Closing Date with respect to Transferring NYAWC Participants (as defined below); (b) transfer the assets and liabilities for the portion of the Plan attributable to these Transferring NYAWC Participants into the defined benefit plan designated by Purchaser as of the Closing Date (the "Pension Transfer"); and (c) remove New York American Water Company, Inc. and its sole subsidiary, Mt. Ebo Sewage Works, Inc. from eligibility to participate under the Plan effective as of the Closing Date; and

WHEREAS, "Transferring NYAWC Participants" shall consist of:

(a) all participants and former participants in the Plan who, as of the date immediately prior to the Closing Date (1) are actively employed by New York American Water Company, Inc., (2) have terminated employment with, the Company and all members of its controlled group and, immediately before their terminations, were employed by New York American Water Company, Inc., or (3) are other former employees of New York American Water Company, Inc. designated by the Company and the Purchaser to be subject to the Pension Transfer,

(b) Frank Curtis, but solely with respect to the portion of his benefit under the Plan covered under the John Hancock Group Annuity Contract No. 334, and

(c) beneficiaries or alternate payees of the foregoing participants and former participants.

NOW THEREFORE, BE IT RESOLVED, the Plan is hereby amended as follows as of 11:59 pm of the date immediately prior to the Closing Date:

1. Article I of the Plan is amended by adding after the third paragraph therein the following new paragraph:

   In connection with that certain Stock Purchase Agreement by and among the Company, New York American Water Company, Inc., and Liberty Utilities Co., dated as of November 20, 2019 , pursuant to which the Company agreed to sell all of the issued and outstanding stock of New York American Water Company, Inc. to Liberty Utilities Co., the Company transferred all Plan assets and liabilities attributable to the Transferring NYAWC Participants (as defined in Appendix 8) to the defined benefit plan designated by Liberty Utilities Co. and the related trust. This transfer is effective as of January 1, 2022. Special provisions governing Transferring NYAWC Participants are set forth in Appendix 8.

2. The definition of "Accrued Benefit" under Section 2.1(a) of the Plan is amended by adding at the end thereof the following new sentence:

   With respect to Transferring NYAWC Participants (as defined in Appendix 8), Accrued Benefits shall be determined with regard to the provisions under Appendix 8.

3. A new Section 3.5 is added to the Plan to read as follows:

   Notwithstanding any other provision to the contrary, with respected to Transferring NYAWC Participants (as defined in Appendix 8), eligibility to participate shall be determined with regard to the provisions under Appendix 8.

4. The bullet point in Exhibit A (List of Designated Subsidiaries) that states "New York American Water Company, Inc. (participating only with respect to the component of the company formerly known as Long Island Water Corporation)" shall be deleted.

5. The Plan is amended by adding a new Appendix 8 to read as follows:

APPENDIX 8
TRANSFERRING NYAWC PARTICIPANTS

1.1 Application.

The provisions of this Appendix shall apply to Transferring NYAWC Participants. "Transferring NYAWC Participants" include all of following individuals:

(a) all participants and former participants in the Plan who, as of December 31, 2021, (1) are actively employed by New York American Water Company, Inc., (2) have terminated employment with, the Company and all members of its controlled group and, immediately before their terminations, were employed by New York American Water Company, Inc., or (3) are other former employees of New York American Water Company, Inc. designated by the Company and Liberty Utilities Co. to be

subject to the pension transfer described in Section 1.3 of this Appendix 8; and

(b) Frank Curtis, but solely with respect to the portion of his benefit under the Plan that was covered under the John Hancock Group Annuity Contract No. 334.

For purposes of clarification, the term "Transferring NYAWC Participant" shall also include beneficiaries or alternate payees of the foregoing Participants and former Participants.

1.2 Transferring NYAWC Participant Benefit Freeze.

Effective as of December 31, 2021 at 11:59 pm, with respect to each Transferring NYAWC Participant, Accrued Benefit shall be frozen. For purposes of benefit accrual, Earnings and Continuous Service shall be determined without regard to any period on or after January 1, 2022.

1.3 Transferring NYAWC Participant Post-Freeze Transfer.

Effective as of January 1, 2022, all of the Plan assets and benefit liabilities with respect to Transferring NYAWC Participants shall be transferred to the defined benefit pension plan designated by Liberty Utilities and its related trust. Following the transfer of assets and liabilities taking effect, a Transferring NYAWC Participant shall not be eligible to accrue additional benefits and shall not remain a Participant under the Plan with respect to benefits accrued prior to January 1, 2022, and New York American Water Company, Inc. shall not be a Designated Subsidiary under the Plan.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Amendment has been executed the date set forth below.

BENEFITS ADMINISTRATION COMMITTEE
OF AMERICAN WATER WORKS
COMPANY, INC.

By: /s/ PAMELA RICHARDSON
Pamela Richardson

Title: VP, Chief Labor, Employment, & Commercial Counsel

Date: January 20, 2022

American Water Works Company, Inc.'s Subsidiaries

As of February 16, 2022

Entity Name	Entity Type	Jurisdiction of Organization
American Industrial Water LLC	Limited Liability Company	Ohio
American Lake Water Company	Corporation	Illinois
American Water – Acciona Agua LLC	Limited Liability Company	Delaware
American Water (USA), LLC	Limited Liability Company	Delaware
American Water Canada Corp.	Corporation	Ontario
American Water Capital Corp.	Corporation	Delaware
American Water Carbon Services Corp.	Corporation	Ontario
American Water Enterprises Holding, LLC	Limited Liability Company	Delaware
American Water Enterprises, LLC	Limited Liability Company	Delaware
American Water Defense Services, LLC	Limited Liability Company	Delaware
American Water Federal Services, LLC	Limited Liability Company	Delaware
American Water Military Services, LLC	Limited Liability Company	Delaware
American Water Operations and Maintenance, LLC	Limited Liability Company	Texas
American Water Real Property Holdings LLC	Limited Liability Company	Delaware
American Water Services CDM, Inc.	Corporation	Washington
American Water Works Service Company, Inc.	Corporation	Delaware
AW Insurance LLC	Series Limited Liability Company	Delaware
AWIP Holdings LLC	Limited Liability Company	Delaware
AW Technologies, LLC	Limited Liability Company	Delaware
Bluefield Valley Water Works Company	Corporation	Virginia
California-American Water Company	Corporation	California
Edison Water Company	Corporation	New Jersey
EMC American Water Canada Inc.	Corporation	Canada
Environmental Disposal Corporation	Corporation	New Jersey
Environmental Management, LLC	Limited Liability Company	Missouri
E'town Properties, Inc.	Corporation	Delaware
E'town Services L.L.C.	Limited Liability Company	New Jersey
Georgia-American Water Company LLC	Limited Liability Company	Delaware
Hawaii-American Water Company	Corporation	Nevada
Illinois-American Water Company	Corporation	Illinois
Indiana-American Water Company, Inc.	Corporation	Indiana
Iowa-American Water Company	Corporation	Delaware
Kentucky-American Water Company	Corporation	Kentucky
Laurel Oak Properties Corporation	Corporation	Delaware
Liberty Water Company	Corporation	New Jersey
Maryland-American Water Company	Corporation	Maryland
Missouri-American Water Company	Corporation	Missouri
New Jersey-American Water Company, Inc.	Corporation	New Jersey
One Water Street LLC	Limited Liability Company	New Jersey
Pennsylvania-American Water Company	Corporation	Pennsylvania
Prism-Berlie (Windsor) Limited	Corporation	Ontario
Tennessee-American Water Company	Corporation	Tennessee
TWH LLC	Limited Liability Company	Delaware
TWNA, Inc.	Corporation	Delaware
Virginia-American Water Company	Corporation	Virginia
West Virginia-American Water Company	Corporation	West Virginia

AMERICAN WATER WORKS COMPANY, INC.

List of Securities Registered Under the Securities Act of 1933 (the "Securities Act") and Entitled to the Benefit of the Support Agreement between American Water Capital Corp. ("AWCC") and American Water Works Company, Inc. ("parent company")

The following securities have been issued by AWCC and registered under the Securities Act, and have the benefit of that certain Support Agreement, as amended, by and between AWCC and parent company, which serves as the functional equivalent of a full and unconditional guarantee by parent company of the payment obligations of AWCC thereunder:

3.850% Senior Notes due 2024
3.400% Senior Notes due 2025
3.000% Senior Notes due 2026
2.950% Senior Notes due 2027
3.750% Senior Notes due 2028
3.450% Senior Notes due 2029
2.800% Senior Notes due 2030
6.593% Senior Notes due 2037
4.300% Senior Notes due 2042
4.300% Senior Notes due 2045
4.000% Senior Notes due 2046
3.750% Senior Notes due 2047
4.200% Senior Notes due 2048
4.150% Senior Notes due 2049
3.450% Senior Notes due 2050

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-253484 and 333-229994) and Form S-8 (Nos. 333-235598, 333-219682, 333-217975, 333-168543 and 333-150381) of American Water Works Company, Inc. of our report dated February 16, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 16, 2022

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE AND PRINCIPAL FINANCIAL OFFICER

I, M. Susan Hardwick certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am the registrant's sole certifying officer, and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. As the registrant's sole certifying officer, I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2022

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President, Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President, Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)
February 16, 2022

Tennessee-American Water Company, Inc.

(A wholly-owned subsidiary of American Water Works Company, Inc.)

Financial Statements

As of and for the years ended December 31, 2021 and 2020

(Unaudited)

TENNESSEE-AMERICAN WATER COMPANY, INC.
Balance Sheets
For the Years Ended December 31, 2021 and 2020
(Unaudited)
(Dollars in thousands)

Assets	2021	2020
Property, plant and equipment, net:		
Utility plant, net	$ 298,540	$ 281,723
Utility plant acquisition adjustments	(3,750)	(3,750)
Total property, plant and equipment	294,790	277,973
Current assets:		
Cash	235	254
Accounts receivable	4,911	4,618
Allowance for uncollectible accounts	(572)	(700)
Unbilled utility revenues	2,224	1,785
Non-regulated and other receivables, net	462	529
State income tax receivable - affiliated company	494	1,323
Materials and supplies	1,081	996
Current regulatory assets	134	130
Other	416	512
Total current assets	9,385	9,447
Regulatory and other long-term assets:		
Regulatory assets	19,276	17,080
Prepaid pension expense	1,634	909
Prepaid postretirement benefit expense	2,637	1,414
Operating lease right-of-use assets	3	4
Other	51	67
Total regulatory and other long-term assets	23,601	19,474
Total assets	$ 327,776	$ 306,894

TENNESSEE-AMERICAN WATER COMPANY, INC.
Balance Sheets
For the Years Ended December 31, 2021 and 2020
(Unaudited)
(Dollars in thousands)

Capitalization and Liabilities	2021	2020
Capitalization:		
Common stockholder's equity	$ 112,746	$ 95,270
Long-term debt	102,653	87,679
Total capitalization	215,399	182,949
Current liabilities:		
Notes payable - affiliated company	18,102	32,349
Accounts payable	5,900	4,388
Accounts payable - affiliated company	—	471
Other accrued taxes	4,256	4,345
Interest accrued	989	948
Refunds due to customers	404	459
Other	4,331	4,048
Total current liabilities	33,982	47,008
Regulatory and other long-term liabilities:		
Regulatory liabilities	15,296	19,517
Advances for construction	7,041	5,593
Deferred income taxes	36,471	33,539
Deferred investment tax credits	53	126
Other tax liabilities	723	150
Operating lease liability	2	3
Total regulatory and other long-term liabilities	59,586	58,928
Contributions in aid of construction	18,809	18,009
Commitments and contingencies	—	—
Total capitalization and liabilities	$ 327,776	$ 306,894

TENNESSEE-AMERICAN WATER COMPANY, INC.
Statements of Income
For the Years Ended December 31, 2021 and 2020
(Unaudited)
(Dollars in thousands)

	2021	2020
Operating revenues	$ 58,801	$ 51,402
Operating expenses (income):		
Operation and maintenance	26,454	25,386
Depreciation	9,986	9,225
Amortization	762	690
General taxes	5,421	5,222
(Gain) loss on asset dispositions	(25)	(12)
Total operating expenses, net	42,598	40,511
Operating income	16,203	10,891
Other income (expenses):		
Interest on long-term debt	(4,349)	(3,931)
Allowance for other funds used during construction	161	171
Allowance for borrowed funds used during construction	134	139
Amortization of debt issuance costs	(89)	(86)
Non-operating benefit costs, net	1,365	1,029
Other, net	(99)	8
Total other expenses	(2,877)	(2,670)
Income before income taxes	13,326	8,221
Provision for income taxes	1,516	(565)
Net income	$ 11,810	$ 8,786

TENNESSEE-AMERICAN WATER COMPANY, INC.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
(Unaudited)
(Dollars in thousands)

	2021	2020
Cash flows from operating activities		
Net income	$ 11,810	$ 8,786
Adjustments to reconcile net cash flows provided by operating activities		
Depreciation and amortization	10,748	9,915
Amortization of debt expense	73	86
Provision for deferred income taxes	246	(171)
Amortization of deferred investment tax credits	(73)	(74)
Provision for losses on accounts receivable	(128)	448
Allowance for other funds used during construction	(161)	(171)
(Gain) loss on asset dispositions and acquisitions	(25)	(12)
Pension and non-pension postretirement benefits	(1,471)	(861)
Regulatory liability - Tax Cuts and Jobs Act Customer Refunds	(1,817)	(1,090)
Other, net	612	(988)
Changes in assets and liabilities:		
Accounts receivable and unbilled revenues	(787)	520
Other current assets	11	(21)
Pension and non-pension postretirement benefit contributions	(498)	(429)
Accounts payable	2,308	129
Accounts payable - affiliated company	(404)	(165)
Accrued interest	41	23
Accrued taxes	2,061	(718)
Other current liabilities	(317)	1,114
Net cash provided by operating activities	22,229	16,321
Cash flows from investing activities		
Capital expenditures	(27,736)	(27,438)
Acquisitions	—	(1,314)
Removal costs from property, plant and equipment retirements, net	(3,553)	(5,897)
Proceeds from the disposition of property, plant and equipment	31	—
Net cash used in investing activities	(31,258)	(34,649)
Cash flows from financing activities		
Proceeds from issuance of long-term debt - affiliated company	15,000	4,000
Net repayments of notes payable - affiliated company	(14,247)	20,380
Debt issuance costs	(160)	(50)
Advances and contributions, net of refunds of $967 and $493 in 2021 and 2020, respectively	2,807	1,205
Capital contributions	14,000	—
Dividends paid	(8,390)	(7,290)
Net cash provided by financing activities	9,010	18,245
Net decrease in cash	(19)	(83)
Cash at beginning of year	254	337
Cash at end of year	$ 235	$ 254

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TENNESSEE-AMERICAN WATER COMPANY, INC.
Statements of Changes in Common Stockholder's Equity
For the Years Ended December 31, 2021 and 2020
(Unaudited)
(Dollars in thousands)

	Common Stock		Paid-in	Retained	
	Shares	Par Value	Capital	Earnings	Total
Balance at December 31, 2019	13,745,234	$ 13,754	$ 41,581	$ 38,425	$ 93,760
Net income	—	—	—	8,786	8,786
Capital contributions	—	—	14	—	14
Dividends	—	—	—	(7,290)	(7,290)
Balance at December 31, 2020	13,745,234	$ 13,754	$ 41,595	$ 39,921	$ 95,270
Net income	—	—	—	11,810	11,810
Capital contributions	—	—	14,056	—	14,056
Dividends	—	—	—	(8,390)	(8,390)
Balance at December 31, 2021	13,745,234	$ 13,754	$ 55,651	$ 43,341	$ 112,746

Tennessee-American Water Company, Inc.

(A wholly-owned subsidiary of American Water Works Company, Inc.)

Financial Statements

As of and for the years ended December 31, 2022 and 2021

(Unaudited)

TENNESSEE-AMERICAN WATER COMPANY, INC.
Balance Sheets
For the Years Ended December 31, 2022 and 2021
(Unaudited)
(Dollars in thousands)

Assets	2022	2021
Property, plant and equipment, net:		
Utility plant, net	$ 316,334	$ 298,540
Utility plant acquisition adjustments	(3,750)	(3,750)
Total property, plant and equipment	312,584	294,790
Current assets:		
Cash	374	235
Accounts receivable	5,334	4,911
Allowance for uncollectible accounts	(467)	(572)
Unbilled utility revenues	2,432	2,224
Receivables - affiliated company	1,011	910
State income tax receivable	871	494
Materials and supplies	1,936	1,081
Current regulatory assets	124	134
Other	600	416
Total current assets	12,215	9,833
Regulatory and other long-term assets:		
Regulatory assets	21,839	19,276
Prepaid pension expense	2,685	1,634
Prepaid postretirement benefit expense	4,184	2,637
Operating lease right-of-use assets	2	3
Other	89	51
Total regulatory and other long-term assets	28,799	23,601
Total assets	$ 353,598	$ 328,224

TENNESSEE-AMERICAN WATER COMPANY, INC.
Balance Sheets
For the Years Ended December 31, 2022 and 2021
(Unaudited)
(Dollars in thousands)

Capitalization and Liabilities	2022	2021
Capitalization:		
Common stockholder's equity	$ 136,209	$ 112,746
Long-term debt	107,656	102,653
Total capitalization	243,865	215,399
Current liabilities:		
Notes payable - affiliated company	11,956	18,102
Accounts payable	6,025	5,900
Payables - affiliated company	232	448
Other accrued taxes	4,449	4,256
Interest accrued	1,007	989
Refunds due to customers	500	404
Other	3,253	4,331
Total current liabilities	27,422	34,430
Regulatory and other long-term liabilities:		
Regulatory liabilities	13,624	15,296
Advances for construction	7,798	7,041
Deferred income taxes	40,964	36,471
Deferred investment tax credits	17	53
Other tax liabilities	623	723
Operating lease liability	1	2
Total regulatory and other long-term liabilities	63,027	59,586
Contributions in aid of construction	19,284	18,809
Commitments and contingencies	—	—
Total capitalization and liabilities	$ 353,598	$ 328,224

TENNESSEE-AMERICAN WATER COMPANY, INC.
Statements of Income
For the Years Ended December 31, 2022 and 2021
(Unaudited)
(Dollars in thousands)

	2022	2021
Operating revenues	$ 60,819	$ 58,801
Operating expenses (income):		
Operation and maintenance	25,853	26,454
Depreciation	10,338	9,986
Amortization	768	762
General taxes	5,652	5,421
(Gain) loss on asset dispositions	—	(25)
Total operating expenses, net	42,611	42,598
Operating income	18,208	16,203
Other income (expenses):		
Interest on long-term debt	(4,571)	(4,349)
Allowance for other funds used during construction	146	161
Allowance for borrowed funds used during construction	161	134
Amortization of debt issuance costs	(98)	(89)
Non-operating benefit costs, net	1,306	1,365
Other, net	(76)	(99)
Total other expenses	(3,132)	(2,877)
Income before income taxes	15,076	13,326
Provision for income taxes	2,088	1,516
Net income	$ 12,988	$ 11,810

TENNESSEE-AMERICAN WATER COMPANY, INC.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(Unaudited)
(Dollars in thousands)

	2022	2021
Cash flows from operating activities		
Net income	$ 12,988	$ 11,810
Adjustments to reconcile net cash flows provided by operating activities		
Depreciation and amortization	11,106	10,748
Amortization of debt expense	98	73
Deferred income taxes and amortization of investment tax credits	2,974	173
Provision for losses on accounts receivable	345	(128)
Allowance for other funds used during construction	(146)	(161)
(Gain) loss on asset dispositions and acquisitions	—	(25)
Pension and non-pension postretirement benefits	(1,703)	(1,471)
Regulatory liability - Tax Cuts and Jobs Act Customer Refunds	—	(1,817)
Other, net	162	612
Changes in assets and liabilities:		
Accounts receivable and unbilled revenues	(985)	(787)
Receivables - affiliated company	(1,070)	—
State income taxes	(377)	—
Other current assets	(1,039)	11
Pension and non-pension postretirement benefit contributions	(895)	(498)
Accounts payable	(39)	2,308
Payables - affiliated company	753	(404)
Accrued interest	18	41
Accrued taxes	(751)	2,061
Other current liabilities	(700)	(317)
Net cash provided by operating activities	20,739	22,229
Cash flows from investing activities		
Capital expenditures	(28,809)	(27,736)
Acquisitions	—	—
Removal costs from property, plant and equipment retirements, net	(2,560)	(3,553)
Proceeds from the disposition of property, plant and equipment	—	31
Net cash used in investing activities	(31,369)	(31,258)
Cash flows from financing activities		
Proceeds from issuance of long-term debt - affiliated company	5,000	15,000
Net repayments of notes payable - affiliated company	(6,146)	(14,247)
Debt issuance costs	(117)	(160)
Advances and contributions, net of refunds of $726 and $967 in 2022 and 2021, respectively	1,660	2,807
Capital contributions	20,000	14,000
Dividends paid	(9,628)	(8,390)
Net cash provided by financing activities	10,769	9,010
Net decrease in cash	139	(19)
Cash at beginning of year	235	254
Cash at end of year	$ 374	$ 235

TENNESSEE-AMERICAN WATER COMPANY, INC.
Statements of Changes in Common Stockholder's Equity
For the Years Ended December 31, 2022 and 2021
(Unaudited)
(Dollars in thousands)

	Common Stock		Paid-in	Retained	
	Shares	Par Value	Capital	Earnings	Total
Balance at December 31, 2020	13,745,234	$ 13,754	$ 41,595	$ 39,921	$ 95,270
Net income	—	—	—	11,810	11,810
Capital contributions	—	—	14,056	—	14,056
Dividends	—	—	—	(8,390)	(8,390)
Balance at December 31, 2021	13,745,234	$ 13,754	$ 55,651	$ 43,341	$ 112,746
Net income	—	—	—	12,988	12,988
Capital contributions	—	—	20,103	—	20,103
Dividends	—	—	—	(9,628)	(9,628)
Balance at December 31, 2022	13,745,234	$ 13,754	$ 75,754	$ 46,701	$ 136,209

Tennessee-American Water Company, Inc.

(A wholly-owned subsidiary of American Water Works Company, Inc.)

Financial Statements

As of and for the years ended December 31, 2023 and 2022

(Unaudited)

TENNESSEE-AMERICAN WATER COMPANY, INC.
Balance Sheets
For the Years Ended December 31, 2023 and 2022
(Unaudited)
(Dollars in thousands)

Assets	2023	2022
Property, plant and equipment, net:		
Utility plant, net	$ 343,536	$ 316,334
Utility plant acquisition adjustments	(3,750)	(3,750)
Total property, plant and equipment	339,786	312,584
Current assets:		
Cash	388	374
Accounts receivable	5,209	5,334
Allowance for uncollectible accounts	(335)	(467)
Unbilled utility revenues	2,874	2,432
Receivables - affiliated company	2,558	1,011
State income tax receivable	925	871
Materials and supplies	1,366	1,936
Current regulatory assets	124	124
Other	645	600
Total current assets	13,754	12,215
Regulatory and other long-term assets:		
Regulatory assets	26,197	21,839
Prepaid pension expense	3,084	2,685
Prepaid postretirement benefit expense	5,043	4,184
Operating lease right-of-use assets	1	2
Other	104	89
Total regulatory and other long-term assets	34,429	28,799
Total assets	$ 387,969	$ 353,598

TENNESSEE-AMERICAN WATER COMPANY, INC.
Balance Sheets
For the Years Ended December 31, 2023 and 2022
(Unaudited)
(Dollars in thousands)

Capitalization and Liabilities	2023	2022
Capitalization:		
Common stockholder's equity	$ 152,749	$ 136,209
Long-term debt	111,675	107,656
Total capitalization	264,424	243,865
Current liabilities:		
Notes payable - affiliated company	8,268	11,956
Current portion of long-term debt	11,000	—
Accounts payable	5,180	6,025
Payables - affiliated company	289	232
Other accrued taxes	4,930	4,449
Interest accrued	1,031	1,007
Refunds due to customers	780	500
Other	3,887	3,253
Total current liabilities	35,365	27,422
Regulatory and other long-term liabilities:		
Regulatory liabilities	13,557	13,624
Advances for construction	8,600	7,798
Deferred income taxes	45,596	40,964
Deferred investment tax credits	12	17
Other tax liabilities	459	623
Operating lease liability	—	1
Total regulatory and other long-term liabilities	68,224	63,027
Contributions in aid of construction	19,956	19,284
Commitments and contingencies	—	—
Total capitalization and liabilities	$ 387,969	$ 353,598

TENNESSEE-AMERICAN WATER COMPANY, INC.
Statements of Income
For the Years Ended December 31, 2023 and 2022
(Unaudited)
(Dollars in thousands)

	2023	2022
Operating revenues	$ 66,176	$ 60,819
Operating expenses (income):		
Operation and maintenance	25,747	25,853
Depreciation	10,813	10,338
Amortization	823	768
General taxes	6,389	5,652
Total operating expenses, net	43,772	42,611
Operating income	22,404	18,208
Other income (expenses):		
Interest, net	(4,951)	(4,571)
Allowance for other funds used during construction	246	146
Allowance for borrowed funds used during construction	265	161
Amortization of debt issuance costs	(128)	(98)
Non-operating benefit costs, net	359	1,306
Other, net	(3)	(76)
Total other expenses	(4,212)	(3,132)
Income before income taxes	18,192	15,076
Provision for income taxes	4,474	2,088
Net income	$ 13,718	$ 12,988

TENNESSEE-AMERICAN WATER COMPANY, INC.
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022
(Unaudited)
(Dollars in thousands)

	2023	2022
Cash flows from operating activities		
Net income	$ 13,718	$ 12,988
Adjustments to reconcile net cash flows provided by operating activities		
Depreciation and amortization	11,636	11,106
Amortization of debt expense	128	98
Deferred income taxes and amortization of investment tax credits	4,076	2,974
Provision for losses on accounts receivable	383	345
Allowance for other funds used during construction	(246)	(146)
Pension and non-pension postretirement benefits	(511)	(1,703)
Other, net	(260)	162
Changes in assets and liabilities:		
Accounts receivable and unbilled revenues	(552)	(985)
Receivables - affiliated company and Payables - affiliated company, net	(1,490)	(317)
State income taxes	(54)	(377)
Other current assets	525	(1,039)
Pension and non-pension postretirement benefit contributions	(765)	(895)
Accounts payable	(917)	(39)
Accrued interest	24	18
Accrued taxes	481	(751)
Other assets and liabilities, net	370	(700)
Net cash provided by operating activities	26,546	20,739
Cash flows from investing activities		
Capital expenditures	(37,232)	(28,809)
Removal costs from property, plant and equipment retirements, net	(3,926)	(2,560)
Net cash used in investing activities	(41,158)	(31,369)
Cash flows from financing activities		
Proceeds from issuance of long-term debt - affiliated company	15,000	5,000
Net repayments of notes payable - affiliated company	(3,688)	(6,146)
Debt issuance costs	(247)	(117)
Advances and contributions, net of refunds of $1,269 and $726 in 2023 and 2022, respectively	794	1,660
Capital contributions	11,000	20,000
Dividends paid	(8,233)	(9,628)
Net cash provided by financing activities	14,626	10,769
Net increase in cash	14	139
Cash at beginning of year	374	235
Cash at end of year	$ 388	$ 374

TENNESSEE-AMERICAN WATER COMPANY, INC.
Statements of Changes in Common Stockholder's Equity
For the Years Ended December 31, 2023 and 2022
(Unaudited)
(Dollars in thousands)

	Common Stock		Paid-in	Retained	
	Shares	Par Value	Capital	Earnings	Total
Balance at December 31, 2021	13,745,234	$ 13,754	$ 55,651	$ 43,341	$ 112,746
Net income	—	—	—	12,988	12,988
Capital contributions	—	—	20,103	—	20,103
Dividends	—	—	—	(9,628)	(9,628)
Balance at December 31, 2022	13,745,234	$ 13,754	$ 75,754	$ 46,701	$ 136,209
Net income	—	—	—	13,718	13,718
Capital contributions	—	—	11,055	—	11,055
Dividends	—	—	—	(8,233)	(8,233)
Balance at December 31, 2023	13,745,234	$ 13,754	$ 86,809	$ 52,186	$ 152,749

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 005

If TAWC is a separate entity, provide a current chart of accounts for TAWC and, if applicable, its Affiliated Utility Service Company. If TAWC is an operating division, also provide a current chart of accounts for the Multi-state Utility.

Response:

Please refer to 2024 TAWC MFG Q005_Attachment for the chart of accounts that are applicable to TAWC and Service Company.

Account Number	Account Description	Alternative Account No.
10130100	10130100 UPIS - Organization	B3011
10130200	10130200 UPIS - Franchises	B3021
10130320	10130320 UPIS - Land & Land Rights - Source of Supply	B3032
10130322	10130322 UPIS - Land & Land Rights - Source of Supply ROW	B3032
10130330	10130330 UPIS - Land & Land Rights - Pumping	B3032
10130332	10130332 UPIS - Land & Land Rights - Pumping ROW	B3032
10130340	10130340 UPIS - Land & Land Rights - Water Treatment	B3033
10130342	10130342 UPIS - Land & Land Rights - Water Treatment ROW	B3033
10130350	10130350 UPIS - Land & Land Rights - Transmission & Distrib	B3034
10130352	10130352 UPIS - Land & Land Rights - T&D ROW	B3034
10130360	10130360 UPIS - Land & Land Rights - Admin & General	B3035
10130362	10130362 UPIS - Land & Land Rights - Admin & General ROW	B3035
10130410	10130410 UPIS - Struct & Imp - Source of Supply	B3042
10130420	10130420 UPIS - Struct & Imp - Pumping	B3042
10130430	10130430 UPIS - Struct & Imp - Water Treatment	B3043
10130440	10130440 UPIS - Struct & Imp - Transmission & Distribution	B3044
10130450	10130450 UPIS - Struct & Imp - Admin & General	B3045
10130500	10130500 UPIS - Collect & Impounding	B3052
10130600	10130600 UPIS - Lake & River & Other	B3062
10130700	10130700 UPIS - Wells & Springs	B3072
10130800	10130800 UPIS - Infiltration Galleries	B3082
10130900	10130900 UPIS - Supply Mains	B3092
10131000	10131000 UPIS - Power Generation Equipment	B3102
10131020	10131020 UPIS - Boiler Plant Equipment	B3112
10131110	10131110 UPIS - Pumping Equipment - Steam	B3112
10131120	10131120 UPIS - Pumping Equipment - Electric	B3112
10131130	10131130 UPIS - Pumping Equipment - Diesel	B3112
10131140	10131140 UPIS - Pumping Equipment - Hydraulic	B3112
10131150	10131150 UPIS - Pumping Equipment - Other	B3112
10131152	10131152 UPIS - Pumping Equipment - Source of Supply	B3112
10131153	10131153 UPIS - Pumping Equipment - Water Treatment	B3112
10131154	10131154 UPIS - Pumping Equipment - Transmission & Distrib	B3112
10132010	10132010 UPIS - Water Treatment Equipment	B3203
10133000	10133000 UPIS - Distribution Reservoirs & Standpipes	B3304
10133100	10133100 UPIS - Transmission & Distribution Mains	B3314
10133200	10133200 UPIS - Fire Mains	B3314
10133300	10133300 UPIS - Services	B3334
10133410	10133410 UPIS - Meters	B3344
10133420	10133420 UPIS - Meter Installations	B3344
10133500	10133500 UPIS - Hydrants	B3354
10133600	10133600 UPIS - Backflow Prevention	B3334
10133910	10133910 UPIS - Other P/E - Intangible	B3391
10133920	10133920 UPIS - Other P/E - Source of Supply	B3392
10133930	10133930 UPIS - Other P/E - Water Treatment	B3393
10133950	10133950 UPIS - Other P/E - Transmission & Distribution	B3394
10134010	10134010 UPIS - Office Furniture & Equipment	B3405
10134100	10134100 UPIS - Transportation Equipment	B3415
10134200	10134200 UPIS - Stores Equipment	B3425
10134300	10134300 UPIS - Tools-Shop-Garage Equipment	B3435
10134400	10134400 UPIS - Laboratory Equipment	B3445

Account Number	Account Description	Alternative Account No.
10134500	10134500 UPIS - Power Operated Equipment	B3455
10134600	10134600 UPIS - Communication Equipment	B3465
10134700	10134700 UPIS - Misc Equipment	B3475
10134800	10134800 UPIS - Other Tangible Property	B3485
10135100	10135100 UPIS - WW Organization	B3511
10135200	10135200 UPIS - WW Franchises	B3521
10135220	10135220 UPIS - WW Other Intangible	B3521
10135320	10135320 UPIS - WW Land & Land Rights - Coll	B3532
10135322	10135322 UPIS - Land & Land Rights - Coll ROW	B3532
10135330	10135330 UPIS - WW Land & Land Rights - SPP	B3533
10135332	10135332 UPIS - Land & Land Rights - Pumping ROW	B3533
10135340	10135340 UPIS - WW Land & Land Rights - TDP	B3534
10135342	10135342 UPIS - Land & Land Rights - TDP ROW	B3534
10135350	10135350 UPIS - WW Land & Land Rights - General	B3535
10135352	10135352 UPIS - Land & Land Rights - General ROW	B3535
10135420	10135420 UPIS - WW Struct & Imp - Coll	B3542
10135430	10135430 UPIS - WW Struct & Imp - SPP	B3543
10135440	10135440 UPIS - WW Struct & Imp - TDP	B3544
10135450	10135450 UPIS - WW Struct & Imp - General	B3545
10135520	10135520 UPIS - WW Pwr Gen Equipment - Col	B3713
10135530	10135530 UPIS - WW Pwr Gen Equipment - SPP	B3713
10135540	10135540 UPIS - WW Pwr Gen Equipment - TDP	B3713
10135550	10135550 UPIS - WW Pwr Gen Equipment - RWT	B3713
10135560	10135560 UPIS - WW Pwr Gen Equipment - RWD	B3713
10136000	10136000 UPIS - WW Collection Sewers	B3602
10136110	10136110 UPIS - WW Collecting Mains	B3612
10136200	10136200 UPIS - WW Special Coll Struct	B3622
10136300	10136300 UPIS - WW Services Sewer	B3632
10136400	10136400 UPIS - WW Flow Measuring Device	B3642
10136500	10136500 UPIS - WW Flow Measuring Install	B3652
10137000	10137000 UPIS - WW Receiving Wells	B3703
10137110	10137110 UPIS - WW Pump Equipment - Elect	B3713
10137120	10137120 UPIS - WW Pump Equipment - Oth Pwr	B3713
10138000	10138000 UPIS - WW - Transmission & D244Distribution Equip	B3804
10138100	10138100 UPIS - WW Plant Sewers	B3814
10138200	10138200 UPIS - WW Outfall Sewer Line	B3824
10138910	10138910 UPIS - WW Oth Plant & Misc Equipment	B3891
10138920	10138920 UPIS - WW Oth Plant & Misc Equipment - Coll	B3892
10138930	10138930 UPIS - WW Oth Plant & Misc Equipment - SPP	B3893
10138940	10138940 UPIS - WW Oth Plant & Misc Equipment - TDP	B3894
10139000	10139000 UPIS - WW Office Furniture	B3905
10139100	10139100 UPIS - WW Transportation Equipment	B3915
10139200	10139200 UPIS - WW Stores Equipment	B3925
10139300	10139300 UPIS - WW Tool Shop & Garage	B3935
10139400	10139400 UPIS - WW Laboratory Equipment	B3945
10139500	10139500 UPIS - WW Power Operated Equipment	B3955
10139600	10139600 UPIS - WW Communication Equipment	B3965
10139700	10139700 UPIS - WW Misc Equipment	B3975
10139800	10139800 UPIS - WW Other Tangible Pl	B3985
10190000	10190000 Reg Asset-AFUDC-Debt	B101

Account Number	Account Description	Alternative Account No.
10230100	10230100 Leased - Organization	B3011
10230320	10230320 Leased - Land & Land Rights - Source of Supply	B3032
10230330	10230330 Leased - Land & Land Rights - Pumping	B3032
10230340	10230340 Leased - Land & Land Rights - Water Treatment	B3033
10230350	10230350 Leased - Land & Land Rights - Transmission & Distr	B3034
10230360	10230360 Leased - Land & Land Rights - Admin & General	B3035
10230410	10230410 Leased - Struct & Imp - Source of Supply	B3042
10230420	10230420 Leased - Struct & Imp - Pumping	B3042
10230430	10230430 Leased - Struct & Imp - Water Treatment	B3043
10230440	10230440 Leased - Struct & Imp - Transmission & Distrib	B3044
10230450	10230450 Leased - Struct & Imp - Admin & General	B3045
10230500	10230500 Leased - Collect & Impounding	B3052
10230600	10230600 Leased - Lake - River & Other	B3062
10230900	10230900 Leased - Supply Mains	B3092
10231000	10231000 Leased - Power Generation Equipment	B3102
10231120	10231120 Leased - Pump Equipment Electric	B3112
10232010	10232010 Leased - WT Equipment	B3203
10233000	10233000 Leased - Distribution Reservoirs & Standpipes	B3304
10233100	10233100 Leased - TD Mains	B3314
10233300	10233300 Leased - Services	B3334
10233410	10233410 Leased - Meters	B3344
10233420	10233420 Leased - Meter Installations	B3344
10233500	10233500 Leased - Hydrants	B3354
10233950	10233950 Leased - Other P/E - Transmission & Distribution	B3394
10234010	10234010 Leased - Office Furniture & Equipment	B3405
10234100	10234100 Leased - Transportation Equipment	B3415
10234200	10234200 Leased - Stores Equipment	B3425
10234300	10234300 Leased - Tools-Shop-Garage Equipment	B3435
10234400	10234400 Leased - Laboratory Equipment	B3445
10234500	10234500 Leased - Power Operated Equipment	B3455
10234600	10234600 Leased - Comm Equipment Not Class	B3465
10234700	10234700 Leased - Misc Equipment	B3475
10300000	10300000 Property Held Future	B103
10400000	10400000 Utility Plant Purchased or Sold	B104
10630100	10630100 CCNC Organization	B3011
10630200	10630200 CCNC Franchises	B3021
10630320	10630320 CCNC Land & Land Rights - Source of Supply	B3032
10630322	10630322 CCNC Land & Land Rights - Source of Supply ROW	B3032
10630330	10630330 CCNC Land & Land Rights - Pumping	B3032
10630332	10630332 CCNC Land & Land Rights - Pumping ROW	B3032
10630340	10630340 CCNC Land & Land Rights - Water Treatment	B3033
10630342	10630342 CCNC Land & Land Rights - Water Treatment ROW	B3033
10630350	10630350 CCNC Land & Land Rights - Transmssn & Distr	B3034
10630352	10630352 CCNC Land & Land Rights - T&D ROW	B3034
10630360	10630360 CCNC Land & Land Rights - Adm & Gen	B3035
10630362	10630362 CCNC Land & Land Rights - Admin & General ROW	B3035
10630410	10630410 CCNC Struct & Imp - Source of Supply	B3042
10630420	10630420 CCNC Struct & Imp - Pumping	B3042
10630430	10630430 CCNC Struct & Imp - Water Treatment	B3043
10630440	10630440 CCNC Struct & Imp - Transmission & Distribution	B3044

Account Number	Account Description	Alternative Account No.
10630450	10630450 CCNC Struct & Imp - Admin & General	B3045
10630500	10630500 CCNC Collect & Impounding	B3052
10630600	10630600 CCNC Lake - River & Other	B3062
10630700	10630700 CCNC Wells & Springs	B3072
10630800	10630800 CCNC Infiltration Galleries	B3082
10630900	10630900 CCNC Supply Mains	B3092
10631000	10631000 CCNC Power Generation Equipment	B3102
10631020	10631020 CCNC Boiler Plant Equipment	B3112
10631110	10631110 CCNC Pumping Equipment - Steam	B3112
10631120	10631120 CCNC Pumping Equipment - Electric	B3112
10631130	10631130 CCNC Pumping Equipment - Diesel	B3112
10631140	10631140 CCNC Pumping Equipment - Hydraulic	B3112
10631150	10631150 CCNC Pumping Equipment - Other	B3112
10631152	10631152 CCNC Pumping Equipment - Source of Supply	B3112
10631153	10631153 CCNC Pumping Equipment - Water Treatment	B3112
10631154	10631154 CCNC Pumping Equipment - Transmssn & Distr	B3112
10632010	10632010 CCNC - Water Treatment Equipment - Non-Media	B3203
10633000	10633000 CCNC - Distribution Reservoirs & Standpipes	B3304
10633100	10633100 CCNC - Transmssn & Distr Mains Not Classified	B3314
10633200	10633200 CCNC Fire Mains	B3314
10633300	10633300 CCNC Services	B3334
10633410	10633410 CCNC Meters	B3344
10633420	10633420 CCNC Meter Installations	B3344
10633500	10633500 CCNC Hydrants	B3354
10633600	10633600 CCNC Backflow Prevention	B3334
10633910	10633910 CCNC Other P/E Intangible	B3391
10633920	10633920 CCNC Other P/E - Source of Supply	B3392
10633930	10633930 CCNC Other P/E - Water Treatment	B3393
10633950	10633950 CCNC Other P/E - Transmission & Distribution	B3394
10634010	10634010 CCNC Office Furniture & Equipment	B3405
10634100	10634100 CCNC Transportation Equipment Not Classified	B3415
10634200	10634200 CCNC Stores Equipment	B3425
10634300	10634300 CCNC Tools-Shop-Garage Equipment	B3435
10634400	10634400 CCNC Laboratory Equipment	B3445
10634500	10634500 CCNC Power Operated Equipment	B3455
10634600	10634600 CCNC Communication Equipment	B3465
10634700	10634700 CCNC Misc Equipment	B3475
10634800	10634800 CCNC Other Tangible Property	B3485
10635320	10635320 CCNC WW Land & Land Rights - Coll	B3532
10635322	10635322 CCNC Land & Land Rights - Coll ROW	B3532
10635330	10635330 CCNC WW Land & Land Rights - SPP	B3533
10635332	10635332 CCNC Land & Land Rights - Pumping ROW	B3533
10635340	10635340 CCNC WW Land & Land Rights - TDP	B3534
10635342	10635342 CCNC Land & Land Rights - TDP ROW	B3534
10635350	10635350 CCNC WW Land & Land Rights - Gen	B3535
10635352	10635352 CCNC Land & Land Rights - General ROW	B3535
10635420	10635420 CCNC WW Struct & Imp - Coll	B3542
10635430	10635430 CCNC WW Struct & Imp - SPP	B3543
10635440	10635440 CCNC WW Struct & Imp - TDP	B3544
10635450	10635450 CCNC WW Struct & Imp - Gen	B3545

Account Number	Account Description	Alternative Account No.
10635520	10635520 CCNC WW Power Gen Equipment - Col	B3713
10635530	10635530 CCNC WW Power Gen Equipment - SPP	B3713
10635540	10635540 CCNC WW Power Gen Equipment - TDP	B3713
10635550	10635550 CCNC WW Power Gen Equipment - RWT	B3713
10635560	10635560 CCNC WW Power Gen Equipment - RWD	B3713
10636000	10636000 CCNC WW Collection Sewers	B3602
10636110	10636110 CCNC WW Collecting Mains	B3612
10636200	10636200 CCNC WW Special Coll Stru	B3622
10636300	10636300 CCNC WW Services Sewer	B3632
10636400	10636400 CCNC WW Flow Measuring De	B3642
10636500	10636500 CCNC WW Flow Measuring In	B3652
10637000	10637000 CCNC WW Receiving Wells	B3703
10637110	10637110 CCNC WW Pump Equipment - Elect	B3713
10637120	10637120 CCNC WW Pump Equipment - Oth Pwr	B3713
10638000	10638000 CCNC WW TD Equipment	B3804
10638100	10638100 CCNC WW Plant Sewers	B3814
10638200	10638200 CCNC WW Outfall Sewer Line	B3824
10638910	10638910 CCNC WW Oth Plant & Misc Equipment	B3891
10638920	10638920 CCNC WW Oth Plant & Misc Eq - Coll	B3892
10638930	10638930 CCNC WW Oth Plant & Misc Eq - SPP	B3893
10638940	10638940 CCNC WW Oth Plant & Misc Eq - TDP	B3894
10639000	10639000 CCNC WW Office Furniture	B3905
10639100	10639100 CCNC WW Transportation Equipment	B3915
10639200	10639200 CCNC WW Stores Equipment	B3925
10639300	10639300 CCNC WW Tool Shop & Garage Equip	B3935
10639400	10639400 CCNC WW Laboratory Equipment	B3945
10639500	10639500 CCNC WW Power Operated Equip	B3955
10639600	10639600 CCNC WW Communication Equip	B3965
10639700	10639700 CCNC WW Misc Equipment	B3975
10639800	10639800 CCNC WW Other Tangible Pl	B3985
10700000	10700000 CWIP	B105
10780000	10780000 CWIP - Workbasket Accrual	B105
10780100	10780100 CWIP - Backhoe Clearing	B105
10780110	10780110 CWIP - Eng Clearing Dist Overhead	B105
10780120	10780120 CWIP - Eng Clearing Eng Overhead	B105
10780130	10780130 CWIP - Management Study - AMR	B105
10780140	10780140 CWIP - Management Study - Pipe	B105
10780150	10780150 CWIP - Interdistrict Clearing	B105
10780160	10780160 CWIP - Suspended CWIP Reserve	B105
10780170	10780170 CWIP-T&I Indirect OH Clearing	B105
10790000	10790000 CWIP - Capital Settlement Clearing	B105
10801000	10801000 Accum Depreciation - Utility Plant in Service	B1081
10802000	10802000 Accum Depreciation - Salvage/Scrap	B1081
10803000	10803000 Accum Depreciation - Asset Sale	B1081
10804000	10804000 Accum Depreciation - Original Cost	B1081
10810000	10810000 Accum Depreciation - Reg Asset	B1081
10820000	10820000 Accum Depreciation - Utility Plant Leased to Othrs	B1082
10830000	10830000 Accum Depreciation - Property Held for Future Use	B1083
10840000	10840000 Accum Amortization - Utility Plant in Service	B1101
10850000	10850000 Accum Amortization - Utility Plant Capital Lease	B1101

Account Number	Account Description	Alternative Account No.
10860000	10860000 Accum Depreciation - Regulatory Acquisition Adjs	B1101
11410000	11410000 UPAA - Above The Line	B114
11415000	11415000 UPAA - Above The Line - Accum Amortization	B115
11420000	11420000 UPAA - Above The Line Depreciation	B114
11425000	11425000 UPAA - Above The Line Depr - Accum Depreciation	B115
11430000	11430000 UPAA - Neg Post 1/1/06	B114
11435000	11435000 UPAA - Neg Post 1/1/06 - Accum Amortization	B115
11441000	11441000 Regulatory Acquisition Adjustment - Water	B114
11442000	11442000 Regulatory Acquisition Adjustment - Waste Water	B114
12110000	12110000 Non-Utility Property - Land	B121
12120000	12120000 Non-Utility Property - Buildings	B121
12130003	12130003 Non-Utility Property - Capital Lease 3yr	B121
12130004	12130004 Non-Utility Property - Capital Lease 4yr	B121
12130005	12130005 Non-Utility Property - Capital Lease 5yr	B121
12130007	12130007 Non-Utility Property - Capital Lease 7yr	B121
12130010	12130010 Non-Utility Property - Capital Lease 10yr	B121
12130015	12130015 Non-Utility Property - Capital Lease 15yr	B121
12140000	12140000 Non-Utility Property - Leasehold Improvement	B121
12150000	12150000 Non-Utility Property - Other 10 Yr	B121
12150010	12150010 Non-Utility Property - Other 5yr	B121
12150020	12150020 Non-Utility Property - Other 7yr	B121
12150030	12150030 Non-Utility Property - Other 4 Yr	B121
12150040	12150040 Non-Utility Property - Other Hardware	B121
12150050	12150050 Non-Utility Property - Other Software	B121
12150080	12150080 Non-Utility Property - Other Enterprise	B121
12180000	12180000 Non-Utility Property - CWIP	B121
12200000	12200000 Non-Utility Property - Accum Depreciation	B122
12210000	12210000 Non-Utility Property - Accum Amortization Cap Lse	B122
13112000	13112000 PNC AWK - Main	B1312
13112001	13112001 PNC AWK - Outbound Wire	B1312
13112002	13112002 PNC AWK - Outbound ACH	B1312
13112003	13112003 PNC AWK - Outbound Check	B1312
13112004	13112004 PNC AWK - Inbound Wires & ACH	B1312
13112017	13112017 PNC AWK - Misc Debits/Credits	B1312
13112100	13112100 PNC AWR - Main	B1312
13112101	13112101 PNC AWR - Outbound Wire	B1312
13112102	13112102 PNC AWR - Outbound ACH	B1312
13112103	13112103 PNC AWR - Outbound Check	B1312
13112104	13112104 PNC AWR - Inbound Wires & ACH	B1312
13112116	13112116 PNC AWR - NSF Return Payments	B1312
13112117	13112117 PNC AWR - Misc Debits/Credits	B1312
13112400	13112400 PNC Pennvest - Main	B1312
13112401	13112401 PNC Pennvest - Outbound Wire	B1312
13112402	13112402 PNC Pennvest - Outbound ACH	B1312
13112404	13112404 PNC Pennvest - Inbound Wires & ACH	B1312
13112417	13112417 PNC Pennvest - Misc Debits/Credits	B1312
13112500	13112500 PNC Investment IL - Main	B1312
13112501	13112501 PNC Investment IL - Outbound Wire	B1312
13112502	13112502 PNC Investment IL - Outbound ACH	B1312
13112504	13112504 PNC Investment IL - Inbound Wires & ACH	B1312

Account Number	Account Description	Alternative Account No.
13112517	13112517 PNC Investment IL - Misc Debits/Credits	B1312
13112700	13112700 PNC VA - Main	B1312
13112701	13112701 PNC VA - Main - Outbound Wire	B1312
13112702	13112702 PNC VA - Main - Outbound ACH	B1312
13112717	13112717 PNC VA - Main - Misc Debits/Credits	B1312
13112800	13112800 PNC WV Green Metering - Main	B1312
13112801	13112801 PNC WV Green Metering - Outbound Wire	B1312
13112802	13112802 PNC WV Green Metering - Outbound ACH	B1312
13112804	13112804 PNC WV Green Metering - Inbound Wires & ACH	B1312
13112817	13112817 PNC WV Green Metering - Misc Debits/Credits	B1312
13115100	13115100 PNC ETown Corporate - Main	B1312
13115101	13115101 PNC ETown Corporate - Outbound Wire	B1312
13115102	13115102 PNC ETown Corporate - Outbound ACH	B1312
13115103	13115103 PNC ETown Corporate - Outbound Check	B1312
13115104	13115104 PNC ETown Corporate - Inbound Wires & ACH	B1312
13115116	13115116 PNC ETown Corporate - NSF Return Payments	B1312
13115117	13115117 PNC ETown Corporate - Misc Debits/Credits	B1312
13115700	13115700 PNC ETown Properties - Main	B1312
13115701	13115701 PNC ETown Properties - Outbound Wire	B1312
13115702	13115702 PNC ETown Properties - Outbound ACH	B1312
13115703	13115703 PNC ETown Properties - Outbound Check	B1312
13115704	13115704 PNC ETown Properties - Inbound Wires & ACH	B1312
13115716	13115716 PNC ETown Properties - NSF Return Payments	B1312
13115717	13115717 PNC ETown Properties - Misc Debits/Credits	B1312
13118000	13118000 PNC Laurel Oak Properties - Main	B1312
13118001	13118001 PNC Laurel Oak Properties - Outbound Wire	B1312
13118002	13118002 PNC Laurel Oak Properties - Outbound ACH	B1312
13118003	13118003 PNC Laurel Oak Properties - Outbound Check	B1312
13118004	13118004 PNC Laurel Oak Properties - Inbound Wires & ACH	B1312
13118016	13118016 PNC Laurel Oak Properties - NSF Return Payments	B1312
13118017	13118017 PNC Laurel Oak Properties - Misc Debits/Credits	B1312
13118500	13118500 PNC ACUS Corp/Ashbrook - Main (Closed early 2012)	B1312
13119000	13119000 PNC Thames Water Holding Inc - Main	B1312
13119001	13119001 PNC Thames Water Holding Inc - Outbound Wire	B1312
13119002	13119002 PNC Thames Water Holding Inc - Outbound ACH	B1312
13119003	13119003 PNC Thames Water Holding Inc - Outbound Check	B1312
13119004	13119004 PNC Thames Water Holding Inc - Inbound Wires & ACH	B1312
13119016	13119016 PNC Thames Water Holding Inc - NSF Return Payments	B1312
13119017	13119017 PNC Thames Water Holding Inc - Misc Debits/Credits	B1312
13119100	13119100 PNC TWNA - Main	B1312
13119101	13119101 PNC TWNA - Outbound Wire	B1312
13119102	13119102 PNC TWNA - Outbound ACH	B1312
13119103	13119103 PNC TWNA - Outbound Check	B1312
13119104	13119104 PNC TWNA - Inbound Wires & ACH	B1312
13119116	13119116 PNC TWNA - NSF Return Payments	B1312
13119117	13119117 PNC TWNA - Misc Debits/Credits	B1312
13120000	13120000 BNYM - Concentration	B1312
13120001	13120001 BNYM-Conc - Outbound Wire	B1312
13120004	13120004 BNYM-Conc - Inbound Wires & ACH	B1312
13120005	13120005 BNYM-Conc - ZBA Activity	B1312

Account Number	Account Description	Alternative Account No.
13120006	13120006 BNYM-Conc - Customer Direct Debit	B1312
13120007	13120007 BNYM-Conc - Customer ACH	B1312
13120008	13120008 BNYM-Conc - Customer Lockbox	B1312
13120009	13120009 BNYM-Conc - Online Resources Credit Corp	B1312
13120010	13120010 BNYM-Conc - First Tech	B1312
13120011	13120011 BNYM-Conc - FiServ (fka CheckFree)	B1312
13120012	13120012 BNYM-Conc - Penn Credit	B1312
13120013	13120013 BNYM-Conc - E-Return - Mellon	B1312
13120014	13120014 BNYM-Conc - E-Return - Online Resource Ck Conv	B1312
13120015	13120015 BNYM-Conc - Customer Accts Receiv Ck Conversion	B1312
13120016	13120016 BNYM-Conc - NSF Return Payments	B1312
13120017	13120017 BNYM-Conc - Misc Debits/Credits	B1312
13120100	13120100 BNYM Pass thru-IL	B1312
13120101	13120101 BNYM Pass thru-IL - Outbound Wire	B1312
13120104	13120104 BNYM Pass thru-IL - Inbound Wires & ACH	B1312
13120106	13120106 BNYM Pass thru-IL - Customer Direct Debit	B1312
13120107	13120107 BNYM Pass thru-IL - Customer ACH	B1312
13120108	13120108 BNYM Pass thru-IL - Customer Lockbox	B1312
13120109	13120109 BNYM Pass thru-IL - Online Resources Credit Corp	B1312
13120110	13120110 BNYM Pass thru-IL - First Tech	B1312
13120111	13120111 BNYM Pass thru-IL - FiServ (fka CheckFree)	B1312
13120112	13120112 BNYM Pass thru-IL - Penn Credit	B1312
13120113	13120113 BNYM Pass thru-IL - E-Return - Mellon	B1312
13120114	13120114 BNYM Pass thru-IL - E-Return - Online Rsrc Ck Conv	B1312
13120115	13120115 BNYM Pass thru-IL - Customer A/R Ck Conversion	B1312
13120116	13120116 BNYM Pass thru-IL - NSF Return Payments	B1312
13120117	13120117 BNYM Pass thru-IL - Misc Debits/Credits	B1312
13120200	13120200 BNYM Pass thru-NJ	B1312
13120201	13120201 BNYM Pass thru-NJ - Outbound Wire	B1312
13120204	13120204 BNYM Pass thru-NJ - Inbound Wires & ACH	B1312
13120206	13120206 BNYM Pass thru-NJ - Customer Direct Debit	B1312
13120207	13120207 BNYM Pass thru-NJ - Customer ACH	B1312
13120208	13120208 BNYM Pass thru-NJ - Customer Lockbox	B1312
13120209	13120209 BNYM Pass thru-NJ - Online Resources Credit Corp	B1312
13120211	13120211 BNYM Pass thru-NJ - FiServ (fka CheckFree)	B1312
13120212	13120212 BNYM Pass thru-NJ - Penn Credit	B1312
13120213	13120213 BNYM Pass thru-NJ - E-Return - Mellon	B1312
13120214	13120214 BNYM Pass thru-NJ - E-Return - Online Rsrc Ck Conv	B1312
13120215	13120215 BNYM Pass thru-NJ - Customer A/R Ck Conversion	B1312
13120216	13120216 BNYM Pass thru-NJ - NSF Return Payments	B1312
13120217	13120217 BNYM Pass thru-NJ - Misc Debits/Credits	B1312
13120300	13120300 BNYM Pass thru-NE	B1312
13120301	13120301 BNYM Pass thru-NE - Outbound Wire	B1312
13120304	13120304 BNYM Pass thru-NE - Inbound Wires & ACH	B1312
13120306	13120306 BNYM Pass thru-NE - Customer Direct Debit	B1312
13120307	13120307 BNYM Pass thru-NE - Customer ACH	B1312
13120308	13120308 BNYM Pass thru-NE - Customer Lockbox	B1312
13120309	13120309 BNYM Pass thru-NE - Online Resources Credit Corp	B1312
13120310	13120310 BNYM Pass thru-NE - First Tech	B1312
13120311	13120311 BNYM Pass thru-NE - FiServ (fka CheckFree)	B1312

Account Number	Account Description	Alternative Account No.
13120312	13120312 BNYM Pass thru-NE - Penn Credit	B1312
13120313	13120313 BNYM Pass thru-NE - E-Return - Mellon	B1312
13120314	13120314 BNYM Pass thru-NE - E-Return - Online Rsrc Ck Conv	B1312
13120315	13120315 BNYM Pass thru-NE - Customer A/R Ck Conversion	B1312
13120316	13120316 BNYM Pass thru-NE - NSF Return Payments	B1312
13120317	13120317 BNYM Pass thru-NE - Misc Debits/Credits	B1312
13120400	13120400 BNYM Pass thru-CA	B1312
13120401	13120401 BNYM Pass thru-CA - Outbound Wire	B1312
13120404	13120404 BNYM Pass thru-CA - Inbound Wires & ACH	B1312
13120406	13120406 BNYM Pass thru-CA - Customer Direct Debit	B1312
13120407	13120407 BNYM Pass thru-CA - Customer ACH	B1312
13120408	13120408 BNYM Pass thru-CA - Customer Lockbox	B1312
13120409	13120409 BNYM Pass thru-CA - Online Resources Credit Corp	B1312
13120411	13120411 BNYM Pass thru-CA - FiServ (fka CheckFree)	B1312
13120412	13120412 BNYM Pass thru-CA - Penn Credit	B1312
13120413	13120413 BNYM Pass thru-CA - E-Return - Mellon	B1312
13120414	13120414 BNYM Pass thru-CA - E-Return - Online Rsrc Ck Conv	B1312
13120415	13120415 BNYM Pass thru-CA - Customer A/R Ck Conversion	B1312
13120416	13120416 BNYM Pass thru-CA - NSF Return Payments	B1312
13120417	13120417 BNYM Pass thru-CA - Misc Debits/Credits	B1312
13121000	13121000 BNYM IN	B1312
13121001	13121001 BNYM IN - Outbound Wire	B1312
13121004	13121004 BNYM IN - Inbound Wires & ACH	B1312
13121006	13121006 BNYM IN - Customer Direct Debit	B1312
13121007	13121007 BNYM IN - Customer ACH	B1312
13121008	13121008 BNYM IN - Customer Lockbox	B1312
13121009	13121009 BNYM IN - Credit Card and E-Checks	B1312
13121010	13121010 BNYM IN - First Tech	B1312
13121012	13121012 BNYM IN - Penn Credit - 3rd Party Collections	B1312
13121013	13121013 BNYM IN - E-Return - Mellon	B1312
13121014	13121014 BNYM IN -Credit Card & Echeck E-Returns	B1312
13121015	13121015 BNYM IN - Customer A/R Ck Conversion	B1312
13121016	13121016 BNYM IN - NSF Return Payments	B1312
13121017	13121017 BNYM IN - Misc Debits/Credits	B1312
13121018	13121018 BNYM IN - Client Services - 3rd Party Collections	B1312
13121100	13121100 BNYM IA	B1312
13121101	13121101 BNYM IA - Outbound Wire	B1312
13121104	13121104 BNYM IA - Inbound Wires & ACH	B1312
13121106	13121106 BNYM IA - Customer Direct Debit	B1312
13121107	13121107 BNYM IA - Customer ACH	B1312
13121108	13121108 BNYM IA - Customer Lockbox	B1312
13121109	13121109 BNYM IA - Credit Card and E-Checks	B1312
13121110	13121110 BNYM IA - Firstech Collections	B1312
13121111	13121111 BNYM IA - FiServ (fka CheckFree)	B1312
13121112	13121112 BNYM IA - Penn Credit	B1312
13121113	13121113 BNYM IA - E-Return - Mellon	B1312
13121114	13121114 BNYM IA -Credit Card & Echeck E-Returns	B1312
13121115	13121115 BNYM IA - Customer A/R Ck Conversion	B1312
13121116	13121116 BNYM IA - NSF Return Payments	B1312
13121117	13121117 BNYM IA - Misc Debits/Credits	B1312

Account Number	Account Description	Alternative Account No.
13121118	13121118 BNYM IA - Client Services - 3rd Party Collections	B1312
13121200	13121200 BNYM KY	B1312
13121201	13121201 BNYM KY - Outbound Wire	B1312
13121204	13121204 BNYM KY - Inbound Wires & ACH	B1312
13121206	13121206 BNYM KY - Customer Direct Debit	B1312
13121207	13121207 BNYM KY - Customer ACH	B1312
13121208	13121208 BNYM KY - Customer Lockbox	B1312
13121209	13121209 BNYM KY - Credit Card and E-Checks	B1312
13121211	13121211 BNYM KY - FiServ (fka CheckFree)	B1312
13121212	13121212 BNYM KY - Penn Credit	B1312
13121213	13121213 BNYM KY - E-Return - Mellon	B1312
13121214	13121214 BNYM KY -Credit Card & Echeck E-Returns	B1312
13121215	13121215 BNYM KY - Customer A/R Ck Conversion	B1312
13121216	13121216 BNYM KY - NSF Return Payments	B1312
13121217	13121217 BNYM KY - Misc Debits/Credits	B1312
13121218	13121218 BNYM KY - Client Services - 3rd Party Collections	B1312
13121300	13121300 BNYM MD	B1312
13121301	13121301 BNYM MD - Outbound Wire	B1312
13121304	13121304 BNYM MD - Inbound Wires & ACH	B1312
13121306	13121306 BNYM MD - Customer Direct Debit	B1312
13121307	13121307 BNYM MD - Customer ACH	B1312
13121308	13121308 BNYM MD - Customer Lockbox	B1312
13121309	13121309 BNYM MD - Credit Card and E-Checks	B1312
13121311	13121311 BNYM MD - FiServ (fka CheckFree)	B1312
13121312	13121312 BNYM MD - Penn Credit	B1312
13121313	13121313 BNYM MD - E-Return - Mellon	B1312
13121314	13121314 BNYM MD -Credit Card & Echeck E-Returns	B1312
13121315	13121315 BNYM MD - Customer A/R Ck Conversion	B1312
13121316	13121316 BNYM MD - NSF Return Payments	B1312
13121317	13121317 BNYM MD - Misc Debits/Credits	B1312
13121318	13121318 BNYM MD - Client Services - 3rd Party Collections	B1312
13121500	13121500 BNYM CA - Main	B1312
13121501	13121501 BNYM CA - Outbound Wire	B1312
13121504	13121504 BNYM CA - Inbound Wires & ACH	B1312
13121506	13121506 BNYM CA - Customer Direct Debit	B1312
13121507	13121507 BNYM CA - Customer ACH	B1312
13121508	13121508 BNYM CA - Customer Lockbox	B1312
13121509	13121509 BNYM CA - Credit Card and E-Checks	B1312
13121511	13121511 BNYM CA - FiServ (fka CheckFree)	B1312
13121512	13121512 BNYM CA - Penn Credit	B1312
13121513	13121513 BNYM CA - E-Return - Mellon	B1312
13121514	13121514 BNYM CA - Credit Card & Echeck E-Returns	B1312
13121515	13121515 BNYM CA - Customer A/R Ck Conversion	B1312
13121516	13121516 BNYM CA - NSF Return Payments	B1312
13121517	13121517 BNYM CA - Misc Debits/Credits	B1312
13121518	13121518 BNYM CA - Client Services - 3rd Party Collections	B1312
13121700	13121700 BNYM MO	B1312
13121701	13121701 BNYM MO - Outbound Wire	B1312
13121704	13121704 BNYM MO - Inbound Wires & ACH	B1312
13121706	13121706 BNYM MO - Customer Direct Debit	B1312

Account Number	Account Description	Alternative Account No.
13121707	13121707 BNYM MO - Customer ACH	B1312
13121708	13121708 BNYM MO - Customer Lockbox	B1312
13121709	13121709 BNYM MO - Credit Card and E-Checks	B1312
13121710	13121710 BNYM MO - First Tech	B1312
13121712	13121712 BNYM MO - Penn Credit	B1312
13121713	13121713 BNYM MO - E-Return - Mellon	B1312
13121714	13121714 BNYM MO -Credit Card & Echeck E-Returns	B1312
13121715	13121715 BNYM MO - Customer A/R Ck Conversion	B1312
13121716	13121716 BNYM MO - NSF Return Payments	B1312
13121717	13121717 BNYM MO - Misc Debits/Credits	B1312
13121718	13121718 BNYM MO - Client Services - 3rd Party Collections	B1312
13121800	13121800 BNYM NJ	B1312
13121801	13121801 BNYM NJ - Outbound Wire	B1312
13121804	13121804 BNYM NJ - Inbound Wires & ACH	B1312
13121806	13121806 BNYM NJ - Customer Direct Debit	B1312
13121807	13121807 BNYM NJ - Customer ACH	B1312
13121808	13121808 BNYM NJ - Customer Lockbox	B1312
13121809	13121809 BNYM NJ - Credit Card and E-Checks	B1312
13121811	13121811 BNYM NJ - FiServ (fka CheckFree)	B1312
13121812	13121812 BNYM NJ - Penn Credit	B1312
13121813	13121813 BNYM NJ - E-Return - Mellon	B1312
13121814	13121814 BNYM NJ - Credit Card & Echeck E-Returns	B1312
13121815	13121815 BNYM NJ - Customer A/R Ck Conversion	B1312
13121816	13121816 BNYM NJ - NSF Return Payments	B1312
13121817	13121817 BNYM NJ - Misc Debits/Credits	B1312
13121818	13121818 BNYM NJ - Client Services - 3rd Party Collections	B1312
13121900	13121900 BNYM NM	B1312
13121907	13121907 BNYM NM - Customer ACH	B1312
13121908	13121908 BNYM NM - Customer Lockbox	B1312
13121916	13121916 BNYM NM - NSF Return Payments	B1312
13121917	13121917 BNYM NM - Misc Debits/Credits	B1312
13122200	13122200 BNYM OH	B1312
13122207	13122207 BNYM OH - Customer ACH	B1312
13122208	13122208 BNYM OH - Customer Lockbox	B1312
13122216	13122216 BNYM OH - NSF Return Payments	B1312
13122217	13122217 BNYM OH - Misc Debits/Credits	B1312
13122300	13122300 BNYM AZ	B1312
13122307	13122307 BNYM AZ - Customer ACH	B1312
13122308	13122308 BNYM AZ - Customer Lockbox	B1312
13122316	13122316 BNYM AZ - NSF Return Payments	B1312
13122317	13122317 BNYM AZ - Misc Debits/Credits	B1312
13122400	13122400 BNYM PA	B1312
13122401	13122401 BNYM PA - Outbound Wire	B1312
13122404	13122404 BNYM PA - Inbound Wires & ACH	B1312
13122406	13122406 BNYM PA - Customer Direct Debit	B1312
13122407	13122407 BNYM PA - Customer ACH	B1312
13122408	13122408 BNYM PA - Customer Lockbox	B1312
13122409	13122409 BNYM PA - Credit Card and E-Checks	B1312
13122411	13122411 BNYM PA - FiServ (fka CheckFree)	B1312
13122412	13122412 BNYM PA - Penn Credit	B1312

Account Number	Account Description	Alternative Account No.
13122413	13122413 BNYM PA - E-Return - Mellon	B1312
13122414	13122414 BNYM PA -Credit Card & Echeck E-Returns	B1312
13122415	13122415 BNYM PA - Customer A/R Ck Conversion	B1312
13122416	13122416 BNYM PA - NSF Return Payments	B1312
13122417	13122417 BNYM PA - Misc Debits/Credits	B1312
13122418	13122418 BNYM PA - Client Services - 3rd Party Collections	B1312
13122500	13122500 BNYM IL - Main	B1312
13122501	13122501 BNYM IL - Outbound Wire	B1312
13122504	13122504 BNYM IL - Inbound Wires & ACH	B1312
13122506	13122506 BNYM IL - Customer Direct Debit	B1312
13122507	13122507 BNYM IL - Customer ACH	B1312
13122508	13122508 BNYM IL - Customer Lockbox	B1312
13122509	13122509 BNYM IL - Credit Card and E-Checks	B1312
13122510	13122510 BNYM IL - First Tech	B1312
13122511	13122511 BNYM IL - FiServ (fka CheckFree)	B1312
13122512	13122512 BNYM IL - Penn Credit	B1312
13122513	13122513 BNYM IL - E-Return - Mellon	B1312
13122514	13122514 BNYM IL -Credit Card & Echeck E-Returns	B1312
13122515	13122515 BNYM IL - Customer A/R Ck Conversion	B1312
13122516	13122516 BNYM IL - NSF Return Payments	B1312
13122517	13122517 BNYM IL - Misc Debits/Credits	B1312
13122518	13122518 BNYM IL - Client Services - 3rd Party Collections	B1312
13122600	13122600 BNYM TN	B1312
13122601	13122601 BNYM TN - Outbound Wire	B1312
13122604	13122604 BNYM TN - Inbound Wires & ACH	B1312
13122606	13122606 BNYM TN - Customer Direct Debit	B1312
13122607	13122607 BNYM TN - Customer ACH	B1312
13122608	13122608 BNYM TN - Customer Lockbox	B1312
13122609	13122609 BNYM TN - Credit Card and E-Checks	B1312
13122610	13122610 BNYM TN - Firstech Collections	B1312
13122611	13122611 BNYM TN - FiServ (fka CheckFree)	B1312
13122612	13122612 BNYM TN - Penn Credit	B1312
13122613	13122613 BNYM TN - E-Return - Mellon	B1312
13122614	13122614 BNYM TN - Credit Card & Echeck E-Returns	B1312
13122615	13122615 BNYM TN - Customer A/R Ck Conversion	B1312
13122616	13122616 BNYM TN - NSF Return Payments	B1312
13122617	13122617 BNYM TN - Misc Debits/Credits	B1312
13122618	13122618 BNYM TN - Client Services - 3rd Party Collections	B1312
13122700	13122700 BNYM VA	B1312
13122701	13122701 BNYM VA - Outbound Wire	B1312
13122704	13122704 BNYM VA - Inbound Wires & ACH	B1312
13122706	13122706 BNYM VA - Customer Direct Debit	B1312
13122707	13122707 BNYM VA - Customer ACH	B1312
13122708	13122708 BNYM VA - Customer Lockbox	B1312
13122709	13122709 BNYM VA - Credit Card and E-Checks	B1312
13122711	13122711 BNYM VA - FiServ (fka CheckFree)	B1312
13122712	13122712 BNYM VA - Penn Credit	B1312
13122713	13122713 BNYM VA - E-Return - Mellon	B1312
13122714	13122714 BNYM VA -Credit Card & Echeck E-Returns	B1312
13122715	13122715 BNYM VA - Customer A/R Ck Conversion	B1312

Account Number	Account Description	Alternative Account No.
13122716	13122716 BNYM VA - NSF Return Payments	B1312
13122717	13122717 BNYM VA - Misc Debits/Credits	B1312
13122718	13122718 BNYM VA - Client Services - 3rd Party Collections	B1312
13122800	13122800 BNYM WV	B1312
13122801	13122801 BNYM WV - Outbound Wire	B1312
13122804	13122804 BNYM WV - Inbound Wires & ACH	B1312
13122806	13122806 BNYM WV - Customer Direct Debit	B1312
13122807	13122807 BNYM WV - Customer ACH	B1312
13122808	13122808 BNYM WV - Customer Lockbox	B1312
13122809	13122809 BNYM WV - Credit Card and E-Checks	B1312
13122811	13122811 BNYM WV - FiServ (fka CheckFree)	B1312
13122812	13122812 BNYM WV - Penn Credit	B1312
13122813	13122813 BNYM WV - E-Return - Mellon	B1312
13122814	13122814 BNYM WV -Credit Card & Echeck E-Returns	B1312
13122815	13122815 BNYM WV - Customer A/R Ck Conversion	B1312
13122816	13122816 BNYM WV - NSF Return Payments	B1312
13122817	13122817 BNYM WV - Misc Debits/Credits	B1312
13122818	13122818 BNYM WV - Client Services - 3rd Party Collections	B1312
13123000	13123000 BNYM HI	B1312
13123001	13123001 BNYM HI - Outbound Wire	B1312
13123004	13123004 BNYM HI - Inbound Wires & ACH	B1312
13123006	13123006 BNYM HI - Customer Direct Debit	B1312
13123007	13123007 BNYM HI - Customer ACH	B1312
13123008	13123008 BNYM HI - Customer Lockbox	B1312
13123009	13123009 BNYM HI - Credit Card and E-Checks	B1312
13123010	13123010 BNYM HI - First Tech	B1312
13123011	13123011 BNYM HI - FiServ (fka CheckFree)	B1312
13123012	13123012 BNYM HI - Penn Credit	B1312
13123013	13123013 BNYM HI - E-Return - Mellon	B1312
13123014	13123014 BNYM HI -Credit Card & Echeck E-Returns	B1312
13123015	13123015 BNYM HI - Customer A/R Ck Conversion	B1312
13123016	13123016 BNYM HI - NSF Return Payments	B1312
13123017	13123017 BNYM HI - Misc Debits/Credits	B1312
13123018	13123018 BNYM HI - Client Services - 3rd Party Collections	B1312
13123800	13123800 BNYM NY	B1312
13123801	13123801 BNYM NY - Outbound Wire	B1312
13123804	13123804 BNYM NY - Inbound Wires & ACH	B1312
13123806	13123806 BNYM NY - Customer Direct Debit	B1312
13123807	13123807 BNYM NY - Customer ACH	B1312
13123808	13123808 BNYM NY - Customer Lockbox	B1312
13123809	13123809 BNYM NY - Credit Card and E-Checks	B1312
13123810	13123810 BNYM NY - First Tech	B1312
13123811	13123811 BNYM NY - FiServ (fka CheckFree)	B1312
13123812	13123812 BNYM NY - Penn Credit	B1312
13123813	13123813 BNYM NY - E-Return - Mellon	B1312
13123814	13123814 BNYM NY -Credit Card & Echeck E-Returns	B1312
13123815	13123815 BNYM NY - Customer A/R Ck Conversion	B1312
13123816	13123816 BNYM NY - NSF Return Payments	B1312
13123817	13123817 BNYM NY - Misc Debits/Credits	B1312
13123818	13123818 BNYM NY - Client Services - 3rd Party Collections	B1312

Account Number	Account Description	Alternative Account No.
13125200	13125200 BNYM EWC	B1312
13125201	13125201 BNYM EWC - Outbound Wire	B1312
13125204	13125204 BNYM EWC - Inbound Wires & ACH	B1312
13125206	13125206 BNYM EWC - Customer Direct Debit	B1312
13125208	13125208 BNYM EWC - Customer Lockbox	B1312
13125209	13125209 BNYM EWC - Online Resources Credit Corp	B1312
13125210	13125210 BNYM EWC - First Tech	B1312
13125211	13125211 BNYM EWC - FiServ (fka CheckFree)	B1312
13125212	13125212 BNYM EWC - Penn Credit	B1312
13125213	13125213 BNYM EWC - E-Return - Mellon	B1312
13125214	13125214 BNYM EWC - E-Return - Online Resource Ck Conv	B1312
13125215	13125215 BNYM EWC - Customer A/R Ck Conversion	B1312
13125216	13125216 BNYM EWC - NSF Return Payments	B1312
13125217	13125217 BNYM EWC - Misc Debits/Credits	B1312
13125300	13125300 BNYM MH	B1312
13125301	13125301 BNYM MH - Outbound Wire	B1312
13125306	13125306 BNYM MH - Customer Direct Debit	B1312
13125308	13125308 BNYM MH - Customer Lockbox	B1312
13125309	13125309 BNYM MH - Online Resources Credit Corp	B1312
13125310	13125310 BNYM MH - First Tech	B1312
13125311	13125311 BNYM MH - FiServ (fka CheckFree)	B1312
13125312	13125312 BNYM MH - Penn Credit	B1312
13125313	13125313 BNYM MH - E-Return - Mellon	B1312
13125314	13125314 BNYM MH - E-Return - Online Resource Ck Conv	B1312
13125315	13125315 BNYM MH - Customer A/R Ck Conversion	B1312
13125316	13125316 BNYM MH - NSF - Return Payments	B1312
13125317	13125317 BNYM MH - Misc Debits/Credits	B1312
13140000	13140000 PNC AWCC-Concentration	B234
13140001	13140001 PNC AWCC-Concentration - Outbound Wire	B234
13140002	13140002 PNC AWCC-Concentration - Outbound ACH	B234
13140004	13140004 PNC AWCC-Concentration - Inbound Wires & ACH	B234
13140005	13140005 PNC AWCC-Concentration - ZBA Activity	B234
13140012	13140012 PNC AWCC-Concentration - Penn Credit	B234
13140017	13140017 PNC AWCC-Concentration - Misc Debits/Credits	B234
13140100	13140100 PNC AWCC-Accounts Payable	B234
13140102	13140102 PNC AWCC-Accounts Payable - Outbound ACH	B234
13140103	13140103 PNC AWCC-Accounts Payable - Outbound Check	B234
13140104	13140104 PNC AWCC-Accounts Payable - Inbound Wires & ACH	B234
13140105	13140105 PNC AWCC-Accounts Payable - ZBA Activity	B234
13140117	13140117 PNC AWCC-Accounts Payable - Misc Debits/Credits	B234
13140200	13140200 PNC AWCC-Payroll	B234
13140202	13140202 PNC AWCC-Payroll - Outbound ACH	B234
13140203	13140203 PNC AWCC-Payroll - Outbound Check	B234
13140204	13140204 PNC AWCC-Payroll - Inbound Wires & ACH	B234
13140205	13140205 PNC AWCC-Payroll - ZBA Activity	B234
13140217	13140217 PNC AWCC-Payroll - Misc Debits/Credits	B234
13140300	13140300 PNC AWCC-Customer Refund	B234
13140303	13140303 PNC AWCC-Customer Refund - Outbound Check	B234
13140304	13140304 PNC AWCC-Customer Refund - Inbound Wires & ACH	B234
13140305	13140305 PNC AWCC-Customer Refund - ZBA Activity	B234

Account Number	Account Description	Alternative Account No.
13140317	13140317 PNC AWCC-Customer Refund - Misc Debits/Credits	B234
13140400	13140400 PNC AWCC-Commercial Paper	B234
13140401	13140401 PNC AWCC-Commercial Paper - Outbound Wire	B234
13140402	13140402 PNC AWCC-Commercial Paper - Outbound ACH	B234
13140404	13140404 PNC AWCC-Commercial Paper - Inbound Wires & ACH	B234
13140417	13140417 PNC AWCC-Commercial Paper - Misc Debits/Credits	B234
13140500	13140500 PNC AWCC- Credit Line	B234
13140501	13140501 PNC AWCC- Credit Line - Outbound Wire	B234
13140502	13140502 PNC AWCC- Credit Line - Outbound ACH	B234
13140504	13140504 PNC AWCC- Credit Line - Inbound Wires & ACH	B234
13140517	13140517 PNC AWCC- Credit Line - Misc Debits/Credits	B234
13140600	13140600 PNC AWCC-Misc Items Lockbox	B234
13140601	13140601 PNC AWCC-Misc Items Lockbox - Outbound Wire	B234
13140602	13140602 PNC AWCC-Misc Items Lockbox - Outbound ACH	B234
13140604	13140604 PNC AWCC-Misc Items Lockbox - Inbound Wires & ACH	B234
13140617	13140617 PNC AWCC-Misc Items Lockbox - Misc Debits/Credits	B234
13140700	13140700 PNC AWCC-AP Vendor Payment	B234
13140701	13140701 PNC AWCC-AP Vendor Payment - Outbound Wire	B234
13140702	13140702 PNC AWCC-AP Vendor Payment - Oubound ACH	B1312
13140704	13140704 PNC AWCC-AP Vendor Payment - Inbound Wires & ACH	B234
13140705	13140705 PNC AWCC-AP Vendor Payment - ZBA Activity	B234
13162600	13162600 US Bank TN - Main	B1312
13162606	13162606 US Bank TN - Customer Direct Debit	B1312
13162607	13162607 US Bank TN - Customer ACH	B1312
13162608	13162608 US Bank TN - Customer Lockbox	B1312
13162609	13162609 US Bank TN - Credit Card and E-Checks	B1312
13162610	13162610 US Bank TN - Firstech Collections	B1312
13162611	13162611 US Bank TN - FiServ (aka CheckFree)	B1312
13162612	13162612 US Bank TN - Penn Credit	B1312
13162613	13162613 US Bank TN - E-Return - US Bank	B1312
13162614	13162614 US Bank TN -Credit Card & Echeck E-Returns	B1312
13162615	13162615 US Bank TN - Customer A/R Ck Conversion	B1312
13162616	13162616 US Bank TN - NSF Return Payments	B1312
13162617	13162617 US Bank TN - Misc Debits/Credits	B1312
13162618	13162618 US Bank TN - Client Services-3rd Party Collections	B1312
13164600	13164600 USBANK Concentration Account	B1312
13164699	13164699 USBANK Concentration Clearing Account	B1312
13180100	13180100 Suntrust TN	B1312
13180101	13180101 Suntrust TN - Outbound Wire	B1312
13180106	13180106 Suntrust TN - Customer Direct Debit	B1312
13180108	13180108 Suntrust TN - Customer Lockbox	B1312
13180109	13180109 Suntrust TN - Online Resources Credit Corp	B1312
13180111	13180111 Suntrust TN - FiServ (fka CheckFree)	B1312
13180112	13180112 Suntrust TN - Penn Credit	B1312
13180113	13180113 Suntrust TN - E-Return - Mellon	B1312
13180114	13180114 Suntrust TN - E-Return - Online Resource Ck Conv	B1312
13180115	13180115 Suntrust TN - Customer A/R Ck Conversion	B1312
13180116	13180116 Suntrust TN - NSF - Return Payments	B1312
13180117	13180117 Suntrust TN - Misc Debits/Credits	B1312
13180200	13180200 River Valley: Incredible Bank	B1312

Account Number	Account Description	Alternative Account No.
13180201	13180201 River Valley MI - Outbound Wire	B1312
13180202	13180202 River Valley MI - Outbound ACH	B1312
13180208	13180208 River Valley MI - Customer Lockbox	B1312
13180216	13180216 River Valley MI - NSF Return Payments	B1312
13180217	13180217 River Valley MI - Misc Debits/Credits	B1312
13180300	13180300 First Hawaiian HI	B1312
13180301	13180301 First Hawaiian HI - Outbound Wire	B1312
13180302	13180302 First Hawaiian HI - Outbound ACH	B1312
13180308	13180308 First Hawaiian HI - Customer Lockbox	B1312
13180316	13180316 First Hawaiian HI - NSF Return Payments	B1312
13180317	13180317 First Hawaiian HI - Misc Debits/Credits	B1312
13180400	13180400 Union First VA	B1312
13180401	13180401 Union First VA - Outbound Wire	B1312
13180402	13180402 Union First VA - Outbound ACH	B1312
13180408	13180408 Union First VA - Customer Lockbox	B1312
13180417	13180417 Union First VA - Misc Debits/Credits	B1312
13181800	13181800 TD Bank - Gift Card Incentive	B1312
13182400	13182400 PNC Conveyance Fee Escrow - Main	B1312
13182401	13182401 PNC Conveyance Fee Escrow - Outbound Wire	B1312
13182417	13182417 PNC Conveyance Fee Escrow - Misc Debits/Credits	B1312
13182500	13182500 Busey Bank IL-Collections for Bollingbrook	B1312
13182516	13182516 Busey Bank IL-NSF Return Payments-Bollingbrook	B1312
13182600	13182600 First Volunteer Bank, Whitwell, TN	B1312
13199001	13199001 Cash Clearing - NSF Check	B1312
13199002	13199002 Cash Clearing - Mixed Payments	B1312
13199003	13199003 Cash Clearing - Misc Debits/Credits	B1312
13199004	13199004 Cash Clearing - MI's	B1312
13199005	13199005 Cash Clearing - ORCOM	B1312
13199006	13199006 Cash Clearing - Intercompany	B1312
13199999	13199999 Cash Conversion History	B1312
13500000	13500000 Petty Cash	B134
13600000	13600000 Temp Investments - under 90 days	B135
13800000	13800000 Funds Restricted for Construction - Current	B1312
14100000	14100000 A/R - Customer - CIS Reconciliation	B141
14100002	14100002 A/R - Customer - Unallocated	B141
14100003	14100003 A/R - Customer - ECIS	B141
14100010	14100010 A/R - Customer - Miscellaneous - PAW Other	B141
14100020	14100020 A/R - Customer - Pittsburgh	B141
14100099	14100099 A/R - Customer - Clearing - Credit Rfnd Processing	B141
14100998	14100998 A/R - Customer - Payment Clarification	B141
14100999	14100999 A/R - Customer - Returns Clarification	B141
14510000	14510000 A/R Assoc Cos - Miscellaneous	B145
14510041	14510041 AR Associated Cos - AWI IOTG	B145
14510100	14510100 A/R Assoc Cos - Reconciliation Account	B145
14510600	14510600 Intercompany System Clearing -CIS Only	B145
14510999	14510999 A/R Assoc Cos - Settlement Clearing	B145
14511000	14511000 A/R Assoc Cos - Service Company Bill	B145
14511001	14511001 A/R Assoc Cos - Service Company Bill	B145
14511031	14511031 A/R Assoc Cos - Service Settlement AWE	B145
14511039	14511039 A/R Assoc Cos - Service Settlement New York Aqua	B145

Account Number	Account Description	Alternative Account No.
14511054	14511054 A/R Assoc Cos - Service Settlement Edison	B145
14511055	14511055 A/R Assoc Cos - Service Settlement Liberty	B145
14511056	14511056 A/R Assoc Cos - Service Settlement E'Town Services	B145
14511070	14511070 A/R Assoc Cos - SC AIW	B145
14511076	14511076 A/R Assoc Cos - One Water Street LLC	B145
14511077	14511077 A/R Assoc Cos - AW Intellectual Properties	B145
14511081	14511081 A/R Assoc Cos - Service Settlement AWE HOS	B145
14511082	14511082 A/R Assoc Cos - Service Settlement AWE Pivotal	B145
14511083	14511083 A/R Assoc Cos - Service Settlement AWE MSG	B145
14511084	14511084 A/R Assoc Cos - Service Settlement AWE CSG	B145
14512000	14512000 A/R Assoc Cos - Payroll Tax	B145
14512500	14512500 A/R Assoc Cos - Payroll Disbursements	B145
14571000	14571000 A/R Assoc Cos - Dividend Receivable	B171
14572000	14572000 A/R Assoc Cos - Interest Receivable	B171
14573000	14573000 A/R Assoc Cos - Dividend Equivalents	B145
14574000	14574000 N/R Assoc Co's	B146
14575000	14575000 Capital Lease Rec Assoc Cos	B145
14575500	14575500 Unearned Capital Lease Rec Assoc Cos	B145
14576000	14576000 N/R Term Loan - Assoc Cos	B146
14100001	14100001 A/R - Customer - Non-Regulated	B141
14400001	14400001 Unbilled Utility Revenue Non-Regulated	B173
14610000	14610000 Misc A/R - Reconciliation Account	B142
14610099	14610099 Misc A/R - Conversion	B142
14611000	14611000 Misc A/R - Manual	B142
14611200	14611200 Misc A/R - Retro Insurance	B142
14611300	14611300 Misc A/R - Liability Insurance	B142
14611500	14611500 Misc A/R - Medicare Subsidy	B142
14612500	14612500 Misc A/R - OPEB Trust	B142
14613000	14613000 Misc A/R - Employees	B142
14613100	14613100 Misc A/R - Employees Payroll	B142
14619999	14619999 Misc A/R - Miscellaneous Invoice Lockbox Clearing	B142
14640000	14640000 Notes Receivable	B144
14670000	14670000 Accrued Interest & Dividend Receivable	B171
14690000	14690000 Current Portion LT Receivable	B142
14820000	14820000 Income Tax Receivable - FIT	B142
14810000	14810000 Income Tax Receivable - SIT	B142
14300000	14300000 Allowance for Uncollectible Accounts	B143
14300001	14300001 Allowance for Uncollectible Accounts Non-Regulated	B143
14399999	14399999 Allowance for Uncollectable Accts - CIS Conversion	B143
14620000	14620000 Misc Rec - Allow for Uncollectible Accts	B142
14400000	14400000 Unbilled Utility Revenue	B173
15110000	15110000 Inventory - Plant Material	B151
15120000	15120000 Inventory - Fuel	B151
15130000	15130000 Inventory - Chemicals	B151
15140000	15140000 Inventory - Other Materials & Supplies	B153
15199993	15199993 Inventory - Shippers Edge Freight Clearing	B153
15199995	15199995 Inventory - Shippers Edge Freight Clearing	B153
15199997	15199997 Inventory - Price Difference	B153
15199998	15199998 Inventory - Consignment Clearing	B153
15199999	15199999 Inventory - Conversion	B153

Account Number	Account Description	Alternative Account No.
13700000	13700000 Temp Investments - over 90 days	B135
16410000	16410000 Other Special Deposits	B133
16420000	16420000 Other Current Assets	B174
16421000	16421000 Current Portion Tax Credits Receivable	B174
16422000	16422000 Other Current Assets - OPEB Repurpose	B174
16430000	16430000 Assets Held For Sale	B174
16440000	16440000 Deferred Acquisition Costs	B133
16510000	16510000 Prepaid Taxes	B162
16510001	16510001 Prepaid Taxes - CIS-San Diego License/Franch Tax	B162
16510002	16510002 Transaction Tax Refund Receivable	B162
16520000	16520000 Prepaid Insurance	B162
16525000	16525000 Prepaid Insurance - Intercompany	B162
16530000	16530000 Prepaid PUC/PSC Assessment	B162
16540000	16540000 Prepaid Audit Fees	B162
16550000	16550000 Prepaid Other	B162
16550010	16550010 Prepaid Other - Global	B162
16611000	16611000 Reg Asset-OCA tax	B174
16612000	16612000 Reg Asset-OCA non tax	B174
16613000	16613000 Reg Asset - Deferred Vacation Pay	B174
17420000	17420000 Income Tax Receivable - Federal - Current Portion	B174
17430000	17430000 Income Tax Receivable - State - Current Portion	B174
18503000	18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	B1862
18503500	18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	B1862
18504000	18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	B1862
18504500	18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	B1862
18505000	18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	B1862
18505100	18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	B1862
18505500	18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	B1862
18506000	18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	B1862
18661000	18661000 Reg Asset - Unamortized Debt Exp	B181
18661500	18661500 Reg Asset - Unamortized Debt Exp Interco	B181
18662000	18662000 Reg Asset - Unamortized Preferred Stock Exp	B181
18641000	18641000 Reg Asset - Deferred Pension	B1862
18642000	18642000 Reg Asset - Deferred Pension Service Co	B1862
18631000	18631000 Reg Asset - Deferred OPEB	B1862
18632000	18632000 Reg Asset - Deferred OPEB Service Co	B1862
18610000	18610000 Reg Asset - Deferred Programmed Maint	B1862
18620000	18620000 Reg Asset - Deferred Rate Case	B1861
18650000	18650000 Reg Asset - Purchase Prem Rec Thru Rates	B1862
18680000	18680000 Reg Asset - Cost of Removal	B1081
18680100	18680100 Reg Asset - Cost of Removal - RWIP	B1862
18680101	18680101 Reg Asset - Deferred Vacation Pay	B174
18680102	18680102 Reg Asset - Deferred Cust Service Proj	B183
18680103	18680103 Reg Asset - Deferred Financial Services Proj	B183
18680111	18680111 Reg Asset - Sick Bank	B1862
18680113	18680113 Reg Asset - Deferred Purchased Water	B1862
18680126	18680126 Reg Asset - FAS112 Costs	B1862
18680127	18680127 Reg Asset - Treatment Plant	B1862
18680131	18680131 Reg Asset - Depreciation Study	B1862
18680132	18680132 Reg Asset - Cost of Service Study	B1862

Account Number	Account Description	Alternative Account No.
18680134	18680134 Reg Asset - Post In-Service AFUDC	B1862
18680135	18680135 Reg Asset - Post In-Service Depreciation	B1862
18680136	18680136 Reg Asset - Environmental Remediation	B1862
18680137	18680137 Reg Asset - Rental Costs	B1862
18680140	18680140 Carmel River Mitigatigation Balancing Account	B1862
18680141	18680141 Reg Asset - Oper Energy Efficiency	B1862
18680142	18680142 Reg Asset - Cease & Desist Order	B1862
18680143	18680143 Reg Asset - Cease & Desist Penalty	B1862
18680144	18680144 Reg Asset - Waste Disposal	B1862
18680145	18680145 Reg Asset - Revenue Stabilization	B1862
18680146	18680146 Reg Asset - Public Safety Power Shut-Off Memo Acct	B1861
18680147	18680147 Reg Asset - Low Income Customer Data Sharing	B1862
18680150	18680150 Reg Asset- Low Income Balancing	B1862
18680151	18680151 Reg Asset - Phase 1 ASR	B1862
18680152	18680152 Reg Asset - Seaside ASR	B1862
18680153	18680153 Reg Asset - Patton Well	B1862
18680154	18680154 Reg Asset - Management Study	B1862
18680160	18680160 Reg Asset - Santa Rosa Groundwater Survey	B1862
18680162	18680162 Reg Asset- Closing Costs	B1862
18680163	18680163 Reg Asset - DSIC Surcharge	B1862
18680164	18680164 Reg Asset - Low Income Program Costs	B1862
18680165	18680165 Reg Asset - Interim Rates	B1862
18680166	18680166 Reg Asset - Water Revenue Adjustment Mechanism	B1862
18680167	18680167 Reg Asset - San Clemente Dam AFUDC	B1862
18680168	18680168 Reg Asset - Conservation Surcharge	B1862
18680169	18680169 Reg Asset - Engineering Study	B1862
18680170	18680170 Reg Asset - San Clemente Dam Removal Costs	B1862
18680171	18680171 Sand City Desal Plant Pur Wtr Bal Acct	B1862
18680172	18680172 Reg Asset -Leak Adjustments	B1862
18680191	18680191 Reg Asset - PSTAC Balancing Account	B1862
18680192	18680192 Reg Asset - Additional Security Costs	B1862
18680194	18680194 Reg Asset - Conservation Balancing Acct	B1862
18680195	18680195 Reg Asset - Purch Power & Water Balancing Acct	B1862
18680196	18680196 Reg Asset - Carmel River Dam	B1862
18680197	18680197 Reg Asset - Coastal Water Project Surcharge	B1862
18680198	18680198 Reg Asset - Seaside GW Basin	B1862
18680199	18680199 Reg Asset - Endangered Species Act	B1862
18680200	18680200 Reg Asset - Authorized Balancing Account	B1862
18680207	18680207 Reg Asset - EPA Risk and Resiliency Assessment	B1862
18680208	18680208 Reg Asset - Drought Memorandum	B1862
18680210	18680210 Reg Asset - Water Action Plan - Memo Acct	B1862
18680211	18680211 Reg Asset - Conservation/Rationing	B1862
18680216	18680216 Reg Asset - Comprehensive Tax Study	B1862
18680218	18680218 Regulatory Asset - "Make-Whole Premium"	B1862
18680223	18680223 Reg Asset - Credit Card Pilot Program Memo Account	B1862
18680226	18680226 Regulatory Asset - Enterprise Solutions	B1862
18680228	18680228 Reg Asset - Pandemic Costs	B1861
18680229	18680229 SEI Deferred Costs	B1861
18680230	18680230 Tax Tracker	B1861
18680295	18680295 Reg Asset - EITF	B1862

Account Number	Account Description	Alternative Account No.
18680333	18680333 Reg Asset - Cust Lead Svc Line Replacements	B1862
18680395	18680395 Reg Asset - Sacrament VCMRRAMA	B1862
18689900	18689900 Reg Asset - Other	B1862
12400000	12400000 Investments - Outside	B125
12401000	12401000 Investment in Joint Venture	B125
12401100	12401100 Investment in Group Share Joint Venture	B125
12410000	12410000 Investment in Assoc Co's	B123
12420000	12420000 Investment in Assoc Co's Preferred Stock	B123
18800000	18800000 Funds Restricted for Construction - LT	B1862
18800100	18800100 LT Asset - Funds Restricted for Construction - SRF	B1862
12310000	12310000 Goodwill	B123
12320000	12320000 Goodwill - Post 1/1/06 UPAA	B114
18750000	18750000 LT Asset - Operating Lease Right-Of-Use Assets	B1862
12510000	12510000 Intangibles - Finite Life	B123
12515000	12515000 Intangibles - Finite Life - Accum Amort	B123
18711000	18711000 LT Asset - Preliminary Financing Exp	B1862
18711500	18711500 LT Asset - Debt Issuance Cost	B1862
18712000	18712000 LT Asset - SERP Trust	B1862
18712500	18712500 LT Asset - Deferred Comp Trust	B1862
18713000	18713000 LT Asset - Prelim Survey & Investigation	B183
18714200	18714200 Income Tax Receivable - Federal - Long Term	B183
18714300	18714300 Income Tax Receivable - State - Long Term	B183
18715000	18715000 LT Asset - Unamortized Debt Exp Non-Reg	B181
18715500	18715500 LT Asset - Unamort Debt Exp Non-Reg Interco	B181
18715700	18715700 LT Asset - Unamort Debt In - Revolver	B181
18717000	18717000 LT Asset - Deferred Transaction Costs	B1862
18720000	18720000 LT Asset - Swap Contract	B1862
18740000	18740000 LT Asset - Receivable	B1862
18741000	18741000 LT Asset - Intercompany Notes	B1862
18742000	18742000 LT Asset - Intercompany Capital Lease	B1862
18742100	18742100 LT Asset - Intercompany Capital Lease Income	B1862
18743000	18743000 LT Asset - Tax Credits Receivable	B1862
18790000	18790000 LT Asset - Other	B1862
18790001	18790001 LT Asset- Long Term portion of Prepaid Global	B1862
18790002	18790002 LT Asset- Long Term portion of Global Prepaid Ins	B1862
18790003	18790003 LT Asset- Long Term portion of Prepaid Global	B1862
18791000	18791000 LT Asset - OPEB	B1862
18792000	18792000 LT Asset - OPEB Repurpose	B1862
20110000	20110000 Common Stock - Subs Minority Interest	B201
20120000	20120000 Common Stock - Subs Intercompany	B201
20130000	20130000 Common Stock - AWK	B201
20510000	20510000 Paid-in Capital - Subs Minority Interest	B207
20520000	20520000 Paid-in Capital - Subs Intercompany	B211
20530000	20530000 Paid-in Capital - AWK Misc	B207
20530100	20530100 Paid-in Capital - AWK Restricted Stock	B211
20530200	20530200 Paid-in Capital - AWK Options	B211
20530300	20530300 Paid-in Capital - AWK RSU's	B211
20530400	20530400 Paid-in Capital - AWK Treasury Stock	B211
20530500	20530500 Paid-in Capital - AWK ESPP	B211
20530600	20530600 Paid-in Capital - AWK DRIP	B211

Account Number	Account Description	Alternative Account No.
20530700	20530700 Paid-in Capital - Tax Windfall	B211
20540000	20540000 Paid-in Capital - AWK Capital Stock Expense	B211
21021000	21021000 Retained Earnings at Acquisition Intercompany	B215
21024000	21024000 Retained Earnings Since Acquisition	B215
21025000	21025000 Retained Earnings Retro Accounting Adjustments	B215
21026000	21026000 Retained Earnings Profit Sharing Intercompany	B215
21300000	21300000 Accumulated Comprehensive Income	B216
21300010	21300010 Accumulated Comprehensive Income - Tax	B216
21300200	21300200 Accumulated Comprehensive Income - Pension	B216
21300210	21300210 Accumulated Comprehensive Income - Pension - Tax	B216
21300300	21300300 Accumulated Comprehensive Income - Hedge	B216
21300305	21300305 Accumulated Comprehensive Income - Hedge - Interco	B216
21300310	21300310 Accumulated Comprehensive Income - Hedge - Tax	B216
21300315	21300315 Accumulated Comprehensive Income-Hedge Interco-Tax	B216
21300410	21300410 ACI - OPEB - Tax	B216
21200000	21200000 Treasury stock	B216
21410000	21410000 Preferred Stock - w/o Mandatory Redemptn Requirmts	B205
21420000	21420000 Preferred Stock - w/o Mand Redemptn Requirmts I/C	B205
22110000	22110000 Bonds	B221
22110100	22110100 Bonds - FV Uplift	B221
22110200	22110200 Bonds - FV Hedge	B221
22110400	22110400 LT Debt - Discount Inside	B221
22110500	22110500 AWTR-LT Debt Premium-Outside	B221
22110600	22110600 Unamortized Debt Expense - Non-Reg	B221
22115000	22115000 Bonds - Interco	B221
22130000	22130000 Capital Lease	B224
22135000	22135000 Capital Lease - Interco	B224
21510000	21510000 Preferred Stock - Redeemable	B204
21510100	21510100 Preferred Stock - Redeemable FV Uplift	B204
23130000	23130000 N/P Revolving Credit Line	B234
23110000	23110000 N/P Commercial Paper	B232
23110500	23110500 N/P Commercial Paper Discount	B232
23140000	23140000 N/P Term Loans	B234
23140005	23140005 N/P Term Loans - Intercompany	B234
23120000	23120000 N/P Assoc Cos	B234
23129000	23129000 N/P Assoc Cos - Loan Clearing	B234
23121000	23121000 In-House Cash Center Bank	B234
23121001	23121001 IHC Clearing - Outgoing Payment	B234
23121002	23121002 IHC Clearing - Incoming Payment	B234
23121003	23121003 In-House Cash Center - Payment Clearing	B234
23121004	23121004 In-House Cash Center - Clearing Account	B234
23121005	23121005 IHC Clearing - Intermediate	B234
23121006	23121006 IHC Clearing - Other	B234
22210000	22210000 Current Portion LTD	B221
22215000	22215000 Current Portion LTD - Interco	B221
22230000	22230000 Current Portion Capital Lease	B224
22235000	22235000 Current Portion Capital Lease Interco	B224
21550000	21550000 Curr Portion - Redeemable Preferred Stock	B204
23410000	23410000 A/P - Reconciliation Account	B231
23410100	23410100 A/P Intercompany - Reconciliation Account	B233

Account Number	Account Description	Alternative Account No.
23410999	23410999 A/P - Conversion	B231
23411000	23411000 A/P - Pcard	B231
23411001	23411001 PCard Distributed-Clearing for Mapped Transactions	B231
23411400	23411400 A/P - Gcard Clearing	B231
23411500	23411500 A/P - Pcard Clearing	B231
23412000	23412000 A/P Clearing	B231
23412200	23412200 A/P - Contracted Services	B231
23412500	23412500 A/P - Phone Bills	B231
23420000	23420000 A/P - Contract Retentions	B231
23430000	23430000 A/P - Miscellaneous	B231
23430600	23430600 A/P - Workbasket Accrual	B231
23430700	23430700 A/P - Pcard Accrual	B231
23430900	23430900 A/P - PNC Loan Clearing	B231
23431000	23431000 A/P - Misc Global	B231
23435000	23435000 A/P - Project Cost Accrual	B231
23436000	23436000 A/P-GRIR Capital Services	B231
23439000	23439000 A/P - Income Taxes Withheld	B231
23510000	23510000 A/P Associated Companies	B233
23510041	23510041 AP Associated Cos - AWI IOTG	B233
23510500	23510500 A/P Associated Companies - Dividend Equivalents	B233
23510600	23510600 Intercompany System Clearing -CIS Only	B233
23520000	23520000 A/P Associated Companies - Service Co Bill	B233
23520001	23520001 A/P Associated Companies - Service Co Bill	B233
23530000	23530000 CFO - WLPP Interco	B233
23530100	23530100 CFO - SLPP Interco	B233
23530200	23530200 CFO - InHome Interco	B233
23530300	23530300 CFO - WLPP/SLPP Interco	B233
23530400	23530400 CFO - WLPP/SLPP/InHome Interco	B233
23530500	23530500 CFO - Leak Detection Protection Plan Interco	B233
23530600	23530600 CFO - Water Heater Protection Plan Interco	B233
23540000	23540000 CFO - WLPP Receivable Interco	B233
23540001	23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	B233
23540100	23540100 CFO - SLPP Receivable Interco	B233
23540101	23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	B233
23540200	23540200 CFO - InHome Receivable Interco	B233
23540201	23540201 CFO - InHome Receivable I/C - CIS Reconciliation	B233
23540300	23540300 CFO - WLPP/SLPP Receivable Interco	B233
23540301	23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	B233
23540400	23540400 CFO - WLPP/SLPP/InHome Receivable Interco	B233
23540401	23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	B233
23540501	23540501 CFO - Leak Detection PP Interco-CIS Reconciliation	B233
23540601	23540601 CFO - Water Heater PP Interco - CIS Reconciliation	B233
23599999	23599999 Intercompany System Clearing	B233
23621000	23621000 Accrued FIT - Current Year	B23612
23621500	23621500 Accrued FIT - Current Year Unitary Returns	B23612
23622000	23622000 Accrued FIT - Prior Years	B23612
23622500	23622500 Accrued FIT - Prior Years Unitary Returns	B23612
23631000	23631000 Accrued SIT - Current Year	B23612
23631500	23631500 Accrued SIT - Current Year Unitary Returns	B23612
23632000	23632000 Accrued SIT - Prior Years	B23612

Account Number	Account Description	Alternative Account No.
23632500	23632500 Accrued SIT - Prior Years - Unitary Returns	B23612
23651000	23651000 Accrued Tax - Gross Income & Receipts	B23611
23651100	23651100 Accrued Tax - Gross Income & Receipts-IncTax	B23611
23652000	23652000 Accrued Tax - FUTA	B23611
23652100	23652100 Accrued Tax - FICA	B23611
23652200	23652200 Accrued Tax - SUTA	B23611
23652300	23652300 Accrued Tax - Payroll Tax Clearing	B23611
23652400	23652400 Accrued Tax - Local	B23611
23653000	23653000 Accrued Tax - Property Tax	B23611
23654000	23654000 Accrued Tax - Use Tax	B23611
23654100	23654100 Accrued Tax - Franchise Tax	B23611
23654110	23654110 Accrued Tax - Franchise Tax - Income Tax	B23611
23654200	23654200 Accrued Tax - PURTA	B23611
23654300	23654300 Accrued Tax - Capital Stock	B23611
23654310	23654310 Accrued Tax - Capital Stock - Income Tax	B23611
23659000	23659000 Accrued Tax - Other	B23611
23720000	23720000 Interest Accrued - LTD	B2371
23730000	23730000 Interest Accrued - LTD Interco	B2371
23740000	23740000 Interest Accrued - Redeemable Preferred Dividends	B2371
23750000	23750000 Interest Accrued - Other	B2372
24120000	24120000 Accrued Vacation Pay	B241
24120100	24120100 Accrued Water Purchases	B241
24120200	24120200 Accrued Power	B241
24120300	24120300 Accrued Legal	B241
24120600	24120600 Accrued Wages	B241
24120699	24120699 Accrued Wages - Net Adjustments Clearing	B241
24120700	24120700 Accrued Insurance	B241
24120710	24120710 Accrued Insurance Retro Adjustment	B241
24120720	24120720 Accrued Insurance Unfunded	B241
24120800	24120800 Accrued Rents	B241
24121000	24121000 Accrued Waste Disposal	B241
24121100	24121100 Accrued Retiree Medical	B241
24121200	24121200 Accrued DCP - Contribution	B241
24121300	24121300 Accrued Health Savings Account	B241
24121400	24121400 Accrued Bank Fees	B241
24121500	24121500 Accrued Credit Lines Fees	B241
24121800	24121800 Accrued Severance	B241
24121900	24121900 Accrued Healthy Solution	B241
24122500	24122500 Refund Rates Under Bond	B241
24122600	24122600 Accrued Safety Incentive	B241
24122700	24122700 Accrued Employer 401k Match	B241
24122800	24122800 Accr'd Pref'd Dividnds w/o Mand Redmptn Requiremts	B241
24122850	24122850 Pref'd Div Declared w/o Mand Redemptn Requiremts	B238
24122900	24122900 Common Dividends Declared	B238
24123000	24123000 Accrued Incentive Plan Cash	B241
24123100	24123100 Accrued Construction Costs	B241
24126000	24126000 Miscellaneous Deposits Payable	B241
24126200	24126200 Accrued Paving	B241
24126300	24126300 Accrued Litigation	B241
24126400	24126400 Customer Deposits	B235

Account Number	Account Description	Alternative Account No.
24126500	24126500 Accrued Audit Fees	B241
24129000	24129000 Accrued NOAA Settlement - Current Portion	B241
24133000	24133000 Unclaimed Customer Credits	B241
24133200	24133200 Unclaimed A/P Checks	B241
24133300	24133300 Unclaimed Wages	B241
24142001	24142001 WH PR - Union Dues	B241
24142002	24142002 WH PR - Charity Contributions	B241
24142003	24142003 WH PR - Federal Political Action Committee Contr	B241
24142005	24142005 WH PR - Flex Spending	B241
24142006	24142006 WH PR - 401k Contributions	B241
24142008	24142008 WH PR - Garnishments	B241
24142009	24142009 WH PR - Life Insurance	B241
24142010	24142010 WH PR - Tax Coll Pay FIT	B241
24142011	24142011 WH PR - Tax Coll Pay SUI	B241
24142012	24142012 WH PR - Tax Coll Pay LIT	B241
24142013	24142013 WH PR - Tax Coll Pay FICA	B241
24142014	24142014 WH PR - ESPP	B241
24142099	24142099 WH PR - Miscellaneous	B241
24142100	24142100 WH PR - Tax Coll SIT	B241
24150000	24150000 Operating Lease Current Liability	B241
24161000	24161000 GRIR - Stock E (Materials)	B241
24162000	24162000 GRIR - Stock D (Fuel)	B241
24163000	24163000 GRIR - Stock C (Chemicals)	B241
24164000	24164000 GRIR - Non-inventory	B241
24165000	24165000 GRIR - Freight	B241
24166000	24166000 GRIR-Capital Expenditure Accruals Reclass	B241
24171000	24171000 CFO Miscellaneous	B241
24171001	24171001 CFO Customer Assistance	B241
24171005	24171005 CFO Customer Assistance Non Pledged	B241
24171006	24171006 CFO Customer Assistance Pledged	B241
24171009	24171009 CFO Primacy fees	B241
24171011	24171011 CFO MC/Sewer Revenue/Cash	B241
24171012	24171012 CFO MC/Sewer A/R	B241
24171013	24171013 CFO MC/Sewer Adjustment	B241
24171014	24171014 CFO MC/Sewer ChgOff	B241
24171030	24171030 CFO HOS Billing/Collections	B241
24171031	24171031 CFO HOS	B241
24172000	24172000 CFO Sales Tax	B241
24172001	24172001 CFO Sales Tax AZ	B241
24172002	24172002 CFO Sales Tax CA Chula Vista	B241
24172003	24172003 CFO Sales Tax CA Sacramento	B241
24172004	24172004 CFO Sales Tax CA San Marino	B241
24172005	24172005 CFO Sales Tax FL	B241
24172006	24172006 CFO Sales Tax IL Belleville	B241
24172007	24172007 CFO Sales Tax IL Alton	B241
24172008	24172008 CFO Sales Tax IL Chicago	B241
24172009	24172009 CFO Sales Tax IN	B241
24172010	24172010 CFO Sales Tax KY	B241
24172011	24172011 CFO Sales Tax MO	B241
24172012	24172012 CFO Sales Tax NJ	B241

Account Number	Account Description	Alternative Account No.
24172013	24172013 CFO Sales Tax PA	B241
24172014	24172014 CFO Sales Tax TN	B241
24172015	24172015 CFO Sales Tax WV	B241
24172016	24172016 CFO Sales Tax NY	B241
24172017	24172017 CFO Sales Tax Texas	B241
24172100	24172100 CFO Sales Tax - from CIS	B241
24173000	24173000 CFO Gross Receipts Tax	B241
24173100	24173100 CFO Gross Receipts Tax - from CIS	B241
24174000	24174000 CFO Municipal Tax	B241
24174100	24174100 CFO Municipal Tax - from CIS	B241
24175100	24175100 CFO PUC Surcharge - from CIS	B241
24175200	24175200 CFO Surcharge - State Revolving Fund - from CIS	B241
24176000	24176000 Transaction Tax Audit Reserve	B241
24199100	24199100 Reg Liab-OCL taxable	B241
24199200	24199200 Reg Liab-OCL non tax	B241
24199500	24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	A253
24199600	24199600 Liabilities Held For Sale	B241
24199700	24199700 Deferred Revenue - Current Portion	B241
24199701	24199701 Deferred Revenue - Current Portion - Intercompany	B241
24199800	24199800 Other Current Liabilities - Tax Sensitive	B241
24199900	24199900 Other Current Liabilities - Non-Tax Sensitive	B241
25299900	25299900 Advances for Construction - Current	B252
29999999	29999999 999 Line JE Clearing	B241
25211000	25211000 Advances for Construction - NT Mains	B252
25212000	25212000 Advances for Construction - NT Extension Deposits	B252
25213000	25213000 Advances for Construction - NT Services	B252
25214000	25214000 Advances for Construction - NT Meters	B252
25215000	25215000 Advances for Construction - NT Hydrants	B252
25216000	25216000 Advances for Construction - NT Other	B252
25217000	25217000 Advances for Construction - NT WIP	B252
25221000	25221000 Advances for Construction - Tax Mains	B252
25222000	25222000 Advances for Construction - Tax Extension Deposits	B252
25223000	25223000 Advances for Construction - Tax Services	B252
25224000	25224000 Advances for Construction - Tax Meters	B252
25225000	25225000 Advances for Construction - Tax Hydrants	B252
25226000	25226000 Advances for Construction - Tax Other	B252
25227000	25227000 Advances for Construction - Tax WIP	B252
25230000	25230000 Advances for Construction - Tax SIT	B252
25241000	25241000 Advances for Construction - Tax Mains - FIT	B252
25242000	25242000 Advances for Construction - Tax Extension Dep -FIT	B252
25243000	25243000 Advances for Construction - Tax Services - FIT	B252
25244000	25244000 Advances for Construction - Tax Meters - FIT	B252
25245000	25245000 Advances for Construction - Tax Hydrants - FIT	B252
25246000	25246000 Advances for Construction - Tax Other - FIT	B252
25280000	25280000 Advances for Construction - Reclassed to Current	B252
25340000	25340000 Deferred FIT Liability - Current	B23612
25349000	25349000 Deferred FIT Asset - Current	B174
25350000	25350000 Deferred SIT Liability - Current	B23612
25359000	25359000 Deferred SIT Asset - Current	B174
25310000	25310000 Deferred FIT Liability – Property	B283

Account Number	Account Description	Alternative Account No.
25310100	25310100 Deferred FIT Liability - FAS109 Increment	B283
25311000	25311000 Deferred FIT Liability – Non Property	B283
25311100	25311100 Deferred FIT Liability - FAS109 Gross Up	B283
25311500	25311500 Deferred FIT Liability - Unitary Returns	B283
25319000	25319000 Deferred FIT Asset - Long Term	B1901
25320000	25320000 Deferred SIT Liability - Property	B283
25320100	25320100 Deferred SIT Liability - FAS109 Increment	B283
25321000	25321000 Deferred SIT Liability – Non Property	B283
25321100	25321100 Deferred SIT Liability - FAS109 Gross Up	B283
25321500	25321500 Deferred SIT Liability - Unitary Returns	B283
25329000	25329000 Deferred SIT Asset - Long Term	B1902
25510100	25510100 Unamortized ITC - 3%	B2551
25510200	25510200 Unamortized ITC - 4%	B2551
25510300	25510300 Unamortized ITC - 10%	B2551
25510400	25510400 Unamortized ITC - 6%	B2551
25510500	25510500 Unamortized ITC - State	B2551
25700000	25700000 Reg Liab - Cost of Removal	B1081
25710000	25710000 Reg Liab - Cost of Removal RWIP	B1862
25621000	25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	B253
25621100	25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	B253
25621200	25621200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Depr FIT	B253
25622000	25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	B253
25623000	25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	B253
25623100	25623100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC SIT	B253
25623200	25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	B253
25624000	25624000 Reg Liab-Inc Tax Rec Thru Rates-Other	B253
25624100	25624100 Reg Liab-Inc Tax Rec Thru Rates-Other-CA Tax Bal	B253
25626000	25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	B253
25626100	25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	B253
25626200	25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	B253
25626300	25626300 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 6%	B253
25626500	25626500 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up SIT	B253
25629000	25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	B253
25632000	25632000 Reg Liab - Revenue Stabilization	B253
25632100	25632100 Reg Liab - Property Tax Stabilization	B253
25632300	25632300 Reg Liab-Tax Cuts & Jobs Act Customer Refunds - LT	A253
25632400	25632400 Reg Liab - Refund to Customers	B253
25632500	25632500 Reg Liab - Conservation Surcharge	B253
25632600	25632600 Reg Liab - Purchased Sewer Stabilization	B253
25632700	25632700 Reg Liab - Purchased Water Stabilization	B253
25632800	25632800 Reg Liab - Property Tax Settlement	B253
25632900	25632900 Reg Liab - PBOP Tracker	B253
25633000	25633000 Reg Liab - Pension Tracker	B253
25633100	25633100 Reg Liab - Tank Painting Tracker	B253
25633200	25633200 Reg Liab - Service Company Pension	B253
25633300	25633300 Reg Liab - PBOP	B253
25633400	25633400 Reg Liab - Pension Internal Reserve	B253
25633500	25633500 Reg Liab - Gain on Debt	B253
25633700	25633700 Reg Liab - Gain on Acquisition	B253
25633800	25633800 Reg Liab - Accrued Rate Case Expense	B253

Account Number	Account Description	Alternative Account No.
25634100	25634100 Reg Liab - Property Sales in Suspense	B253
25634300	25634300 Reg Liab - Litigation Proceeds	B253
25634400	25634400 Reg Liab - CA Aerojet Project	B253
25634500	25634500 Reg Liab - MTBE Settlement	B253
25634600	25634600 Reg Liab - Atrazine Settlement	B253
25634700	25634700 Reg Liab - Interim Rates	B253
25634800	25634800 Reg Liab - Def Revenue CIAC FIT	B253
25634900	25634900 Reg Liab - Cost of Capital Reserve	B253
25635000	25635000 RL- Aluminum Sulfate	B253
25635500	25635500 Reg Liab - Refund of COR	B253
25636000	25636000 Reg Liab - Pandemic Costs	B253
25637000	25637000 Reg Liab - Jasper Highlands Post Closing Payments	B253
25680163	25680163 DSIC Surcharge Overcollection	B253
25689900	25689900 Reg Liab - Other	B253
26212000	26212000 Accrued Pension Expense	B253
26214000	26214000 Accrued Pension Expense ERP (SERP)	B253
26215000	26215000 Accrued Pension Expense ERP (SRP)	B253
26216000	26216000 Accrued Pension Exp ERP (Special Contract)	B253
26221000	26221000 Accrued OPEB	B253
26221100	26221100 Accrued OPEB NEI	B253
26221500	26221500 Accrued OPEB Medicare Subsidy	B253
26300000	26300000 Operating Lease Long-Term Liability	B224
26233000	26233000 Deferred Revenue - CIAC	B253
26233100	26233100 Deferred Revenue - CIAC FIT	B253
26233200	26233200 Deferred Revenue - CIAC SIT	B253
26233300	26233300 Deferred Revenue - CAC	B253
26233800	26233800 Deferred Revenue - Tax Gross-Up AIC	B253
26233900	26233900 Deferred Revenue - Tax Gross-Up AIC FIT/SIT	B253
26234000	26234000 Deferred Revenue - Tax Gross-Up AIC SIT	B253
26237100	26237100 Deferred Revenue	B253
26237500	26237500 MPWMD Surcharge Collected for Others	B253
26580000	26580000 FIN 48 Reserve - Federal	B265
26580100	26580100 FIN 48 Reserve Penalty & Interest - Federal	B265
26581000	26581000 FIN 48 Reserve - State	B265
26581100	26581100 FIN 48 Reserve Penalty & Interest - State	B265
26281100	26281100 Accrued Defined Contribution SERP	B253
26281150	26281150 Accrued NOAA Settlement	B253
26281200	26281200 Accrued 401k Restoration	B253
26281250	26281250 Accrued Asset Retirement Obligation Liability	B253
26281300	26281300 Deferred FAS 112 Costs	B253
26281350	26281350 Swap Contract FV Liability	B253
26281400	26281400 Extension Deposits in Suspense	B253
26281450	26281450 Advance Pay & Deposits	B253
26281500	26281500 Accrued Dividend Equivalents	B253
26281600	26281600 Property Sales in Suspense	B253
26281700	26281700 Deferred Compensation (prior 1/1/08)	B253
26281800	26281800 Non-Qualified Savings & Def Compensation	B253
26281900	26281900 Accrued Sick Bank	B253
26281990	26281990 Long Term Liability Acquisition Offset	B253
26281997	26281997 Surcharge Clearing- WV B&O Tax (CIS)	B253

Account Number	Account Description	Alternative Account No.
26281998	26281998 DCN-Deferred Credit Other - Not Tax Sensitive	B253
26281999	26281999 Accrued Long Term Liability - Other	B253
26282000	26282000 Accrued Long Term Liability - Other Interco	B253
26400000	26400000 Misc Operating Reserve	B265
27111000	27111000 CIAC-Non Taxable - Mains	B271
27112000	27112000 CIAC-Non Taxable - Ext Dep	B271
27113000	27113000 CIAC-Non Taxable - Services	B271
27114000	27114000 CIAC-Non Taxable - Meters	B271
27115000	27115000 CIAC-Non Taxable - Hydrants	B271
27116000	27116000 CIAC-Non Taxable - Other	B271
27116001	27116001 CIAC-Non Taxable - Other Spec Fac Fee	B271
27116002	27116002 CIAC-Non Taxable - Other Terra Cotta	B271
27116010	27116010 CIAC-Non Taxable - Other Gov Gmt Contamn Proceed	B271
27116020	27116020 CIAC-Non Taxable - Other Gov Loan Contamn Proceed	B271
27116030	27116030 CIAC-Non Taxable - Other Damg Awd Contamn Proceed	B271
27116040	27116040 CIAC-Non Taxable - Other Settlmnt Contamn Proceed	B271
27116051	27116051 CIAC-Non Taxable - Other Gvt Ord Contmn Pvt Funds	B271
27116052	27116052 CIAC-Non Taxable - Other Gvt Ord Contmn Pub Funds	B271
27116060	27116060 CIAC-Non Taxable - Other Insurance Contmn Proceed	B271
27117000	27117000 CIAC-Non Taxable - WIP	B271
27118000	27118000 CIAC-Non Taxable - Non-Utility Property Property	B271
27121000	27121000 CIAC-Taxable - Mains	B271
27122000	27122000 CIAC-Taxable - Extension Deposits	B271
27123000	27123000 CIAC-Taxable - Services	B271
27124000	27124000 CIAC-Taxable - Meters	B271
27125000	27125000 CIAC-Taxable - Hydrants	B271
27126000	27126000 CIAC-Taxable - Other	B271
27126040	27126040 CIAC-Taxable - Other Settlmnt Contamn Proceed	B271
27127000	27127000 CIAC-Taxable - WIP	B271
27131000	27131000 CIAC-Taxable - Mains SIT	B271
27133000	27133000 CIAC-Taxable - Services SIT	B271
27135000	27135000 CIAC-Taxable - Hydrants SIT	B271
27136000	27136000 CIAC-Taxable - Other SIT	B271
27137000	27137000 CIAC-Taxable - WIP SIT	B271
27141000	27141000 CIAC-Taxable - Mains FIT	B271
27142000	27142000 CIAC-Taxable - Extension Deposits - FIT	B271
27143000	27143000 CIAC-Taxable - Services FIT	B271
27144000	27144000 CIAC-Taxable - Meters FIT	B271
27145000	27145000 CIAC-Taxable - Hydrants FIT	B271
27146000	27146000 CIAC-Taxable - Other FIT	B271
27201000	27201000 Accum Amort CIAC - Mains	B272
27203000	27203000 Accum Amort CIAC - Services	B272
27204000	27204000 Accum Amort CIAC - Meters	B272
27205000	27205000 Accum Amort CIAC - Hydrants	B272
27206000	27206000 Accum Amort CIAC - Other	B272
27210000	27210000 Accum Amort CIAC - Tax	B272
24200000	24200000 Cash Book Overdraft	B231
40111000	40111000 Residential Sales Billed	B4611
40111001	40111001 Residential Sales Billed - Discount	B4611
40111100	40111100 Residential Sales Billed Surcharge	B4611

Account Number	Account Description	Alternative Account No.
40111101	40111101 Residential Sales Billed Surcharge - SRF	B4611
40111102	40111102 Residential Sales Billed Surcharge - LOAN payments	B4611
40111199	40111199 Residential Sales Billed Surcharge - Clearing	B4611
40111200	40111200 Residential Sales Billed DSIC	B4611
40111201	40111201 Residential Sales Billed Other Investment Surch	B4611
40111300	40111300 Residential Sales Billed Unmetered	B460
40111400	40111400 Residential Sales Billed Non-Rev Stabil Mechanism	B4611
40111500	40111500 Residential Sales Billed Paperless Bill Credits	B4611
40112000	40112000 Residential Sales Unbilled	B4611
40121000	40121000 Commercial Sales Billed	B4612
40121100	40121100 Commercial Sales Billed Surcharge	B4612
40121101	40121101 Commercial Sales Billed Surcharge - SRF	B4612
40121102	40121102 Commercial Sales Billed Surcharge - LOAN payments	B4612
40121200	40121200 Commercial Sales Billed DSIC	B4612
40121201	40121201 Commercial Sales Billed Other Investment Surch	B4612
40121300	40121300 Commercial Sales Billed Unmetered	B460
40121400	40121400 Commercial Sales Billed Non-Rev Stabil Mechanism	B4611
40122000	40122000 Commercial Sales Unbilled	B4612
40131000	40131000 Industrial Sales Billed	B4613
40131100	40131100 Industrial Sales Billed Surcharge	B4613
40131101	40131101 Industrial Sales Billed Surcharge - SRF	B4613
40131102	40131102 Industrial Sales Billed Surcharge - LOAN payments	B4613
40131200	40131200 Industrial Sales Billed DSIC	B4613
40131201	40131201 Industial Sales Billed Other Investment Surch	B4613
40131400	40131400 Industrial Sales Billed Non-Rev Stabil Mechanism	B4613
40132000	40132000 Industiral Sales Unbilled	B4613
40141000	40141000 Public Fire Billed	B4621
40141100	40141100 Public Fire Billed Surcharge	B4621
40141101	40141101 Public Fire Billed Surcharge - SRF	B4621
40141102	40141102 Public Fire Billed Surcharge - LOAN payments	B4621
40141200	40141200 Public Fire Billed DSIC	B4621
40141201	40141201 Public Fire Billed Other Investment Surch	B4621
40141400	40141400 Public Fire Billed Non-Rev Stabil Mechanism	B4621
40142000	40142000 Public Fire Unbilled	B4621
40145000	40145000 Private Fire Billed	B4622
40145100	40145100 Private Fire Billed Surcharge	B4622
40145101	40145101 Private Fire Billed Surcharge - SRF	B4622
40145102	40145102 Private Fire Billed Surcharge - LOAN payments	B4622
40145200	40145200 Private Fire Billed DSIC	B4622
40145201	40145201 Private Fire Billed Other Investment Such	B4622
40145400	40145400 Private Fire Billed Non-Rev Stabil Mechanism	B4622
40146000	40146000 Private Fire Unbilled	B4622
40151000	40151000 Public Authority Billed	B4614
40151100	40151100 Public Authority Billed Surcharge	B4614
40151101	40151101 Public Authority Billed Surcharge - SRF	B4614
40151102	40151102 Public Authority Billed Surcharge - LOAN payments	B4614
40151200	40151200 Public Authority Billed DSIC	B4614
40151201	40151201 Public Authority Billed Other Investment Such	B4621
40151400	40151400 Public Authority Billed Non-Rev Stabil Mechanism	B4614
40152000	40152000 Public Authority Unbilled	B4614

Account Number	Account Description	Alternative Account No.
40161000	40161000 Sales for Resale Billed	B466
40161050	40161050 Sales for Resale Billed Interco	B467
40161100	40161100 Sales for Resale Billed Surcharge	B466
40161200	40161200 Sales for Resale Billed DSIC	B466
40161201	40161201 Sales for Resale Billed Other Investment Surch	B466
40161250	40161250 Sales for Resale Billed DSIC Interco	B466
40161251	40161251 Sales for Resale Billed Other Investment Surch I/C	B466
40161400	40161400 Sales for Resale Billed Non-Rev Stabil Mechanism	B466
40162000	40162000 Sales for Resale Unbilled	B466
40138000	40138000 Accrued Revenue Stabilization	B4611
40138200	40138200 Accrued Property Tax Rev Stblztn	B4611
40171000	40171000 Misc Sales Billed	B474
40171100	40171100 Misc Sales Billed Surcharge	B474
40171101	40171101 Miscellaneous Sales Billed Surcharge - SRF	B474
40171102	40171102 Miscellaneous Sales Billed Surcharge - LOAN pymnts	B474
40171200	40171200 Misc Sales Billed DSIC	B5211
40171201	40171201 Misc Sales Billed Other Investment Surch	B5211
40171300	40171300 Misc Sales Billed Unmetered	B474
40171400	40171400 Misc Sales Billed Non-Rev Stabil Mechanism	B474
40172000	40172000 Misc Sales Unbilled	B474
40175100	40175100 Misc Sales ORCOM Errors	B474
40180100	40180100 Other Water Revenue - Temp Service	B471
40180200	40180200 Other Water Revenue - Conservation	B471
40180300	40180300 Other Water Revenue - Amort Def CIAC	B474
40189900	40189900 Other Water Revenue	B474
40189999	40189999 Other Water Revenue - Leak Adjustment	B474
40211000	40211000 Domestic WW Service Billed	B5211
40211001	40211001 Domestic WW Service Billed Bimonthly	B5211
40211100	40211100 Domestic WW Service Billed Surcharge	B5211
40211200	40211200 Domestic WW Service Billed DSIC	B5211
40211201	40211201 Domestic WW Service Billed Other Investment Surch	B5211
40211300	40211300 Domestic WW Service Billed CGCR	B5211
40211400	40211400 Domestic WW Service Billed Non-RevStabil Mechanism	B5211
40212000	40212000 Domestic WW Service Unbilled	B5211
40221000	40221000 Commerical WW Service Billed	B5212
40221100	40221100 Commerical WW Service Billed Surcharge	B5212
40221200	40221200 Commercial WW Service Billed DSIC	B5211
40221201	40221201 Commercial WW Service Billed Other Investment Sur	B5211
40221300	40221300 Commerical WW Service Billed CGCR	B5212
40221400	40221400 Commercial WW ServiceBilled Non-RevStabilMechanism	B5211
40222000	40222000 Commercial WW Service Unbilled	B5212
40231000	40231000 Industrial WW Service Billed	B5213
40231100	40231100 Industrial WW Service Billed Surcharge	B5213
40231200	40231200 Industrial WW Service Billed DSIC	B5211
40231201	40231201 Industrial WW Service Billed Other Investment Sur	B5211
40231300	40231300 Industrial WW Service Billed CGCR	B5213
40231400	40231400 Industrial WW ServiceBilled Non-RevStabilMechanism	B5211
40232000	40232000 Industrial WW Service Unbilled	B5213
40238000	40238000 Accrued Revenue Stabilization WW	B4611
40251000	40251000 Public Authority WW Service Billed	B5214

Account Number	Account Description	Alternative Account No.
40251100	40251100 Public Authority WW Service Billed Surcharge	B5214
40251200	40251200 Public Authority WW Service Billed DSIC	B5211
40251201	40251201 Public Authority WW Serv Billed Other Invest Surch	B5211
40251300	40251300 Public Authority WW Service Billed CGCR	B5214
40251400	40251400 Public AuthorityWW ServiceBilled Non-RevStabilMech	B5211
40252000	40252000 Public Authority WW Service Unbilled	B5214
40261200	40261200 Sale for Resale WW Service Billed DSIC	B5211
40261400	40261400 Sales for Resale WW Billed Non-Rev StabilMechanism	B5211
40271000	40271000 Misc WW Service Billed	B524
40271100	40271100 Misc WW Service Billed Surcharge	B524
40271200	40271200 Misc Sales WW Service Billed DSIC	B5211
40271201	40271201 Misc Sales WW Service Billed Other Investment Sur	B5211
40271300	40271300 Misc WW Service Billed CGCR	B524
40271400	40271400 Misc WW Service Billed Non-RevStabil Mechanism	B5211
40272000	40272000 Misc WW Service Unbilled	B524
40280000	40280000 Other Revenue WW - Guaranteed	B536
40289900	40289900 Other WW Revenue	B536
40290000	40290000 Other Revenue WW - Intercompany	B536
40300100	40300100 Other Revenue - Interco	B474
40310000	40310000 Other Revenue - Guaranteed	B474
40310100	40310100 Other Revenue - Late Payment Charge	B470
40310200	40310200 Other Revenue - Rent	B472
40310250	40310250 Other Revenue - Rent Interco	B474
40310300	40310300 Other Revenue - Collection for Others	B471
40310400	40310400 Other Revenue - NSF Check Charge	B471
40310500	40310500 Other Revenue - Application/Initiation Fee	B471
40310600	40310600 Other Revenue - Usage Data	B471
40310700	40310700 Other Revenue - Reconnection Fee	B471
40310800	40310800 Other Revenue - Frozen Meter	B471
40310900	40310900 Other Revenue - CFO - CA PUC Surcharge	B471
40311600	40311600 Other Revenue - Storage Fees	B471
40313000	40313000 Other Revenue - After Hrs Charge	B471
40319900	40319900 Other Revenue - Misc Service	B471
40351100	40351100 Other Revenue WW - Late Payment Charge	B532
40359900	40359900 Other Revenue WW - Misc Service	B536
40399999	40399999 Leak Adjustment Revenue	B474
40999999	40999999 Revenue Conversion - CIS	B536
45000000	45000000 Service Company Revenue OPEX Interco	B471
45000001	45000001 Service Company Revenue CAPEX Interco	B471
45000002	45000002 Servco Company Revenue Market Based COs Interco	B471
51010000	51010000 Purchased Water	B6101
51010500	51010500 PWAC Differential	B6758
51015000	51015000 Purchased Water Interco	B6101
51020000	51020000 Diversion Rights	B6101
51510000	51510000 Purchased Power - Natural Account	B6158
51510011	51510011 Purchased Power - Source of Supply	B6151
51510012	51510012 Purchased Power - Pumping	B6151
51510013	51510013 Purchased Power - Water Treatment	B6153
51510014	51510014 Purchased Power - Transmission & Distribution	B6155
51510015	51510015 Purchased Power - Customer Accounting	B6157

Account Number	Account Description	Alternative Account No.
51510016	51510016 Purchased Power - Admin & General	B6158
51510500	51510500 Purchased Power Balancing Account	B6151
51520000	51520000 Fuel for Power Production	B6161
51800000	51800000 Chemicals	B6183
51850000	51850000 Chemicals Carbon Interco	B6183
51110000	51110000 Waste Disposal	B6753
51110500	51110500 PSTAC Differential	B6758
51110600	51110600 PSTAC Amortization	B6758
51115000	51115000 Waste Disposal Interco	B6753
51120000	51120000 Amort Waste Disposal	B6753
50100000	50100000 Labor Natural Account	B6018
50100001	50100001 Labor Expense Accrual	B6018
50100002	50100002 Labor Expense - Intercompany	B6018
50101100	50101100 Labor Oper Source of Supply	B6011
50101105	50101105 Labor Oper Source of Supply - Super & Eng	B6011
50101200	50101200 Labor Oper Pumping	B6011
50101205	50101205 Labor Oper Pumping - Super & Eng	B6011
50101210	50101210 Labor Oper Pumping - Power Prod	B6011
50101215	50101215 Labor Oper Pumping - Pump	B6011
50101300	50101300 Labor Oper Water Treatment	B6013
50101305	50101305 Labor Oper Water Treatment - Super & Eng	B6013
50101400	50101400 Labor Oper Transmission & Distribution	B6015
50101405	50101405 Labor Oper Trans & Distr - Super & Eng	B6015
50101410	50101410 Labor Oper Trans & Distr - Storage Facility	B6015
50101415	50101415 Labor Oper Trans & Distr - Lines	B6015
50101420	50101420 Labor Oper Trans & Distr - Meter	B6015
50101425	50101425 Labor Oper Trans & Distr - Meter Install	B6015
50101500	50101500 Labor Oper Customer Accounting	B6017
50101505	50101505 Labor Oper Customer Acctg - Super & Eng	B6017
50101510	50101510 Labor Oper Customer Acctg - Meter Read	B6017
50101515	50101515 Labor Oper Customer Acctg - Cust Rec & Coll	B6017
50101520	50101520 Labor Oper Customer Acctg - Cust Serv & Info	B6017
50101600	50101600 Labor Oper Admin & General	B6018
50101601	50101601 Labor Oper Adm & Gen - Director & Officer	B6038
50102100	50102100 Labor Maint Source of Supply	B6012
50102105	50102105 Labor Maint Source of Supply - Super & Eng	B6012
50102110	50102110 Labor Maint Source of Supply - Struct &Imp	B6012
50102115	50102115 Labor Maint Source of Supply - Coll & Imp	B6012
50102120	50102120 Labor Maint Source of Supply - Lake	B6012
50102125	50102125 Labor Maint Source of Supply - Wells	B6012
50102130	50102130 Labor Maint Src of Supply-Infilt Galleries	B6012
50102135	50102135 Labor Maint Src of Supply-Supply Mains	B6012
50102200	50102200 Labor Maint Pumping	B6012
50102205	50102205 Labor Maint Pumping - Super & Eng	B6012
50102210	50102210 Labor Maint Pumping - Struct & Imp	B6012
50102215	50102215 Labor Maint Pumping - Power Prod	B6012
50102300	50102300 Labor Maint Water Treatment	B6014
50102305	50102305 Labor Maint Water Treatment - Super & Eng	B6014
50102310	50102310 Labor Maint Water Treatment - Struct & Imp	B6014
50102315	50102315 Labor Maint Water Treatment - Equipment	B6014

Account Number	Account Description	Alternative Account No.
50102400	50102400 Labor Maint Transmission & Distribution	B6016
50102405	50102405 Labor Maint Transmssn & Distr - Super & Eng	B6016
50102410	50102410 Labor Maint Transmssn & Distr - Struct & Imp	B6016
50102415	50102415 Labor Maint Transmssn & Distr - Dist Res	B6016
50102420	50102420 Labor Maint Transmssn & Distr - Mains	B6016
50102425	50102425 Labor Maint Transmssn & Distr - Fire Mains	B6016
50102430	50102430 Labor Maint Transmssn & Distr - Service	B6016
50102435	50102435 Labor Maint Transmssn & Distr - Meter	B6016
50102440	50102440 Labor Maint Transmssn & Distr - Hydrants	B6016
50102600	50102600 Labor Maint Admin & General	B6018
50109900	50109900 Labor Capitalized Credits	B6018
50110000	50110000 Labor Non-scheduled Overtime - Natural Account	B6018
50111100	50111100 Labor Oper Non-scheduled Overtime- SS	B6011
50111105	50111105 Labor Oper Non-scheduled Overtime- SS Super & Eng	B6011
50111200	50111200 Labor Oper Non-scheduled Overtime- P	B6011
50111205	50111205 Labor Oper Non-scheduled Overtime- P Super & Eng	B6011
50111210	50111210 Labor Oper Non-scheduled Overtime- P Power Prod	B6011
50111215	50111215 Labor Oper Non-scheduled Overtime- P Pump	B6011
50111300	50111300 Labor Oper Non-scheduled Overtime- WT	B6013
50111305	50111305 Labor Oper Non-scheduled Overtime- WT Super & Eng	B6013
50111400	50111400 Labor Oper Non-scheduled Overtime- TD	B6015
50111405	50111405 Labor Oper Non-scheduled Overtime- TD Super & Eng	B6015
50111410	50111410 Labor Oper Non-scheduled OT-TD Storage Facility	B6015
50111415	50111415 Labor Oper Non-scheduled Overtime- TD Lines	B6015
50111420	50111420 Labor Oper Non-scheduled Overtime- TD Meter	B6015
50111425	50111425 Labor Oper Non-scheduled OT-TD Meter Install	B6015
50111500	50111500 Labor Oper Non-scheduled Overtime- CA	B6017
50111505	50111505 Labor Oper Non-scheduled Overtime- CA Super & Eng	B6017
50111510	50111510 Labor Oper Non-scheduled Overtime- CA Meter Read	B6017
50111515	50111515 Labor Oper Non-scheduled OT - CA Cust Rec & Coll	B6017
50111520	50111520 Labor Oper Non-scheduled OT - CA Cust Serv & Info	B6017
50111600	50111600 Labor Oper Non-scheduled Overtime- AG	B6018
50112100	50112100 Labor Maint Non-scheduled Overtime- SS	B6012
50112105	50112105 Labor Maint Non-scheduled Overtime- SS Super & Eng	B6012
50112110	50112110 Labor Maint Non-scheduled OT - SS Struct & Imp	B6012
50112115	50112115 Labor Maint Non-scheduled Overtime- SS Coll & Imp	B6012
50112120	50112120 Labor Maint Non-scheduled Overtime- SS Lake	B6012
50112125	50112125 Labor Maint Non-scheduled Overtime- SS Wells	B6012
50112130	50112130 Labor Maint Non-scheduled OT - SS Infilt Gallery	B6012
50112135	50112135 Labor Maint Non-scheduled OT - SS Supply Mains	B6012
50112200	50112200 Labor Maint Non-scheduled Overtime- P	B6012
50112205	50112205 Labor Maint Non-scheduled Overtime- P Super & Eng	B6012
50112210	50112210 Labor Maint Non-scheduled Overtime- P Struct & Imp	B6012
50112215	50112215 Labor Maint Non-scheduled Overtime- P Power Prod	B6012
50112300	50112300 Labor Maint Non-scheduled Overtime- WT	B6014
50112305	50112305 Labor Maint Non-scheduled Overtime- WT Super & Eng	B6014
50112310	50112310 Labor Maint Non-scheduled OT - WT Struct & Imp	B6014
50112315	50112315 Labor Maint Non-scheduled Overtime- WT Equipment	B6014
50112400	50112400 Labor Maint Non-scheduled Overtime- TD	B6016
50112405	50112405 Labor Maint Non-scheduled Overtime- TD Super & Eng	B6016

Account Number	Account Description	Alternative Account No.
50112410	50112410 Labor Maint Non-scheduled OT - TD Struct & Imp	B6016
50112415	50112415 Labor Maint Non-scheduled Overtime- TD Dist Res	B6016
50112420	50112420 Labor Maint Non-scheduled Overtime- TD Mains	B6016
50112425	50112425 Labor Maint Non-scheduled Overtime- TD Fire Main	B6016
50112430	50112430 Labor Maint Non-scheduled Overtime- TD Service	B6016
50112435	50112435 Labor Maint Non-scheduled Overtime- TD Meter	B6016
50112440	50112440 Labor Maint Non-scheduled Overtime- TD Hydrant	B6016
50112600	50112600 Labor Maint Non-scheduled Overtime- AG	B6018
50119900	50119900 Labor Non-scheduled Overtime- Capitalized Credits	B6018
50120000	50120000 Labor Overtime - Natural Account	B6018
50121100	50121100 Labor Oper Scheduled Overtime-SS	B6011
50121105	50121105 Labor Oper Scheduled Overtime-SS Super & Eng	B6011
50121200	50121200 Labor Oper Scheduled Overtime-P	B6011
50121205	50121205 Labor Oper Scheduled Overtime-P Super & Eng	B6011
50121210	50121210 Labor Oper Scheduled Overtime-P Power Prod	B6011
50121215	50121215 Labor Oper Scheduled Overtime-P Pump	B6011
50121300	50121300 Labor Oper Scheduled Overtime-WT	B6013
50121305	50121305 Labor Oper Scheduled Overtime-WT Super & Eng	B6013
50121400	50121400 Labor Oper Scheduled Overtime-TD	B6015
50121405	50121405 Labor Oper Scheduled Overtime-TD Super & Eng	B6015
50121410	50121410 Labor Oper Scheduled Overtime-TD Storage Facility	B6015
50121415	50121415 Labor Oper Scheduled Overtime-TD Lines	B6015
50121420	50121420 Labor Oper Scheduled Overtime-TD Meter	B6015
50121425	50121425 Labor Oper Scheduled Overtime-TD Meter Install	B6015
50121500	50121500 Labor Oper Scheduled Overtime-CA	B6017
50121505	50121505 Labor Oper Scheduled Overtime-CA Super & Eng	B6017
50121510	50121510 Labor Oper Scheduled Overtime-CA Merer Read	B6017
50121515	50121515 Labor Oper Scheduled Overtime-CA Cust Rec & Coll	B6017
50121520	50121520 Labor Oper Scheduled Overtime-CA Cust Serv & Info	B6017
50121600	50121600 Labor Oper Scheduled Overtime-AG	B6018
50122100	50122100 Labor Maint Scheduled Overtime-SS	B6012
50122105	50122105 Labor Maint Scheduled Overtime-SS Super & Eng	B6012
50122110	50122110 Labor Maint Scheduled Overtime-SS Struct & Imp	B6012
50122115	50122115 Labor Maint Scheduled Overtime-SS Coll & Imp	B6012
50122120	50122120 Labor Maint Scheduled Overtime-SS Lake	B6012
50122125	50122125 Labor Maint Scheduled Overtime-SS Wells	B6012
50122130	50122130 Labor Maint Scheduled Overtime-SS Infilt Gallery	B6012
50122135	50122135 Labor Maint Scheduled Overtime-SS Supply Main	B6012
50122200	50122200 Labor Maint Scheduled Overtime-P	B6012
50122205	50122205 Labor Maint Scheduled Overtime-P Super & Eng	B6012
50122210	50122210 Labor Maint Scheduled Overtime-P Struct & Imp	B6012
50122215	50122215 Labor Maint Scheduled Overtime-P Power Prod	B6012
50122300	50122300 Labor Maint Scheduled Overtime-WT	B6014
50122305	50122305 Labor Maint Scheduled Overtime-WT Super & Eng	B6014
50122310	50122310 Labor Maint Scheduled Overtime-WT Struct & Imp	B6014
50122315	50122315 Labor Maint Scheduled Overtime-WT Equipment	B6014
50122400	50122400 Labor Maint Scheduled Overtime-TD	B6016
50122405	50122405 Labor Maint Scheduled Overtime-TD Super & Eng	B6016
50122410	50122410 Labor Maint Scheduled Overtime-TD Struct & Imp	B6016
50122415	50122415 Labor Maint Scheduled Overtime-TD Dist Res	B6016

Account Number	Account Description	Alternative Account No.
50122420	50122420 Labor Maint Scheduled Overtime-TD Mains	B6016
50122425	50122425 Labor Maint Scheduled Overtime-TD Fire Main	B6016
50122430	50122430 Labor Maint Scheduled Overtime-TD Service	B6016
50122435	50122435 Labor Maint Scheduled Overtime-TD Meter	B6016
50122440	50122440 Labor Maint Scheduled Overtime-TD Hydrant	B6016
50122600	50122600 Labor Maint Scheduled Overtime-AG	B6018
50129900	50129900 Labor Scheduled Overtime- Capitalized Credits	B6018
50171000	50171000 Annual Performance Plan	B6018
50171100	50171100 Annual Performance Plan Cap Credits	B6018
50171600	50171600 Compensation Exp - Options	B6018
50171800	50171800 Compensation Expense - RSU/PSU	B6018
50185000	50185000 Severance	B6018
50610000	50610000 Pension Expense	B6048
50610100	50610100 Pension Capitalized Credits	B6048
50620000	50620000 Pension Expense - SRP	B6048
50630000	50630000 Pension Expense - SERP	B6048
71810000	71810000 Other Non-service Pension Benefit Cost	B6048
50510000	50510000 OPEB Expense	B6048
50510100	50510100 OPEB Capitalized Credits	B6048
50550000	50550000 Group Insurance Expense	B6048
50550100	50550100 Group Insurance Capitalized Credits	B6048
50560000	50560000 Health Savings Account Expense	B6048
71820000	71820000 Other Non-service PBOP Benefit Cost	B6048
50421000	50421000 401k Expense	B6048
50421100	50421100 401k Expense Cap Credits	B6048
50422000	50422000 Defined Contribution Expense	B6048
50422100	50422100 Defined Contribution Plan Exp Cap Credits	B6048
50423000	50423000 Employee Stock Purchase Plan Expense	B6048
50424000	50424000 DCP Restoration Expense	B6048
50425000	50425000 401k Restoration Expense	B6048
50426000	50426000 Retiree Medical Expense	B6048
50426100	50426100 Retiree Medical Expense Cap Credits	B6048
50427000	50427000 FAS 112 Amortization	B6048
50450000	50450000 Other Welfare - Natural Account	B6048
50450011	50450011 Other Welfare - Source of Supply	B6041
50450012	50450012 Other Welfare - Pumping	B6041
50450013	50450013 Other Welfare - Water Treatment	B6043
50450014	50450014 Other Welfare - Transm & Distrib	B6045
50450015	50450015 Other Welfare - Customer Accounting	B6047
50450016	50450016 Other Welfare - Admin & General	B6048
50451000	50451000 Employee Awards	B6048
50452000	50452000 Employee Physical Exams	B6048
50454000	50454000 Safety Incentive Awards	B6048
50456000	50456000 Tuition Aid	B6048
50457000	50457000 Training	B6048
50458000	50458000 Referral Bonus	B6048
53401000	53401000 AWWSC Services - Labor OPEX	B6348
53401100	53401100 AWWSC Services - Pension OPEX	B6348
53401200	53401200 AWWSC Services - Group Insurance OPEX	B6348
53401300	53401300 AWWSC Services - Other Benefits OPEX	B6348

Account Number	Account Description	Alternative Account No.
53401400	53401400 AWWSC Services - Contracted Services OPEX	B6348
53401500	53401500 AWWSC Services - Office Supplies OPEX	B6348
53401700	53401700 AWWSC Services - Rents OPEX	B6348
53401800	53401800 AWWSC Services Customer Accounting OPEX	B6348
53401900	53401900 AWWSC Services - Maint Supplies & Svcs OPEX	B6348
53402100	53402100 AWWSC Services - Other O&M Expense OPEX	B6348
53402200	53402200 AWWSC Services - Depr & Amort OPEX	B6348
53402300	53402300 AWWSC Services - General Taxes OPEX	B6348
53402400	53402400 AWWSC Services - Net Interest OPEX	B6348
53402500	53402500 AWWSC Services - Other Inc & Ded OPEX	B6348
53402600	53402600 AWWSC Services - Income Taxes OPEX	B6348
53409999	53409999 AWWSC Services - Conversion	B6348
53481000	53481000 AWWSC Services - Labor CAPX	B6348
53481100	53481100 AWWSC Services - Pension CAPX	B6348
53481200	53481200 AWWSC Services - Group Insurance CAPX	B6348
53481300	53481300 AWWSC Services - Other Benefits CAPX	B6348
53481400	53481400 AWWSC Services - Contracted Services CAPX	B6348
53481500	53481500 AWWSC Services - Office Supplies CAPX	B6348
53481700	53481700 AWWSC Services - Rents CAPX	B6348
53481800	53481800 AWWSC Services Customer Accounting CAPX	B6348
53481900	53481900 AWWSC Services - Maint Supplies & Svcs CAPX	B6348
53482100	53482100 AWWSC Services - Other O&M Expense CAPX	B6348
53482200	53482200 AWWSC Services - Depr & Amort CAPX	B6348
53482300	53482300 AWWSC Services - General Taxes CAPX	B6348
53482400	53482400 AWWSC Services - Net Interest CAPX	B6348
53482500	53482500 AWWSC Services - Other Inc & Ded CAPX	B6348
53482600	53482600 AWWSC Services - Income Taxes CAPX	B6348
53110000	53110000 Contract Svc-Eng - Natural Account	B6318
53110011	53110011 Contract Svc-Eng - Source of Supply	B6311
53110013	53110013 Contract Svc-Eng - Water Treatment	B6313
53110014	53110014 Contract Svc-Eng - Transmission & Distribution	B6315
53110015	53110015 Contract Svc-Eng - Customer Accounting	B6317
53110016	53110016 Contract Svc-Eng - Admin & General	B6318
53150000	53150000 Contract Svc-Other - Natural Account	B6358
53150011	53150011 Contract Svc-Other - Source of Supply	B6351
53150013	53150013 Contract Svc-Other - Water Treatment	B6353
53150014	53150014 Contract Svc-Other - Transmission & Distribution	B6355
53150015	53150015 Contract Svc-Other - Customer Accounting	B6357
53150016	53150016 Contract Svc-Other - Admin & General	B6358
53151000	53151000 Contract Svc-Temp Empl - Natural Account	B6358
53151011	53151011 Contract Svc-Temp Empl - Source of Supply	B6351
53151013	53151013 Contract Svc-Temp Empl - Water Treatment	B6353
53151014	53151014 Contract Svc-Temp Empl - Transmssn & Distr	B6355
53151015	53151015 Contract Svc-Temp Empl - Customer Accounting	B6357
53151016	53151016 Contract Svc-Temp Empl - Admin & General	B6358
53152000	53152000 Contract Svc-Lab Testing - Water Treatment	B6353
53153000	53153000 Contract Services - Accounting	B6328
53154000	53154000 Contract Services - Audit Fees	B6328
53155000	53155000 Contract Services - Legal	B6338
53156000	53156000 Contract Services - Litigation	B6338

Account Number	Account Description	Alternative Account No.
53157000	53157000 Contract Services - Outplacement	B6758
53158000	53158000 Contract Services - BT Related Incr Ext Costs	B6358
53159000	53159000 Contract Services - Centrally Sponsored Projects	B6338
53159100	53159100 Contract Services - Hardware Services	B6338
53185000	53185000 Contract Services - Interco	B6358
52532000	52532000 Electricity - Natural Account	B6758
52532011	52532011 Electricity - Source of Supply	B6751
52532013	52532013 Electricity - Water Treatment	B6753
52532014	52532014 Electricity - Transmission & Distribution	B6755
52532015	52532015 Electricity - Customer Accounting	B6757
52532016	52532016 Electricity - Admin & General	B6758
52546000	52546000 Grounds Keeping - Natural Account	B6758
52546011	52546011 Grounds Keeping - Source of Supply	B6751
52546013	52546013 Grounds Keeping - Water Treatment	B6753
52546014	52546014 Grounds Keeping - Transmission & Distribution	B6755
52546016	52546016 Grounds Keeping - Admin & General	B6758
52548000	52548000 Heating Oil/Gas - Natural Account	B6758
52548011	52548011 Heating Oil/Gas - Source of Supply	B6751
52548013	52548013 Heating Oil/Gas - Water Treatment	B6753
52548014	52548014 Heating Oil/Gas - Transmission & Distribution	B6755
52548015	52548015 Heating Oil/Gas - Customer Accounting	B6757
52548016	52548016 Heating Oil/Gas - Admin & General	B6758
52550000	52550000 Janitorial - Natural Account	B6758
52550012	52550012 Janitorial - Pumping	B6751
52550013	52550013 Janitorial - Water Treatment	B6753
52550014	52550014 Janitorial - Transmission & Distribution	B6755
52550015	52550015 Janitorial - Customer Accounting	B6757
52550016	52550016 Janitorial - Admin & General	B6758
52571000	52571000 Security Service - Natural Account	B6758
52571011	52571011 Security Service - Source of Supply	B6751
52571013	52571013 Security Service - Water Treatment	B6753
52571014	52571014 Security Service - Transmission & Distribution	B6755
52571015	52571015 Security Service - Customer Accounting	B6757
52571016	52571016 Security Service - Admin & General	B6758
52571100	52571100 Add'l Security Costs	B6758
52578000	52578000 Trash Removal - Natural Account	B6758
52578011	52578011 Trash Removal - Source of Supply	B6751
52578013	52578013 Trash Removal - Water Treatment	B6753
52578014	52578014 Trash Removal - Transmission & Distribution	B6755
52578015	52578015 Trash Removal - Customer Accounting	B6757
52578016	52578016 Trash Removal - Admin & General	B6758
52583000	52583000 Water & WW - Natural Account	B6758
52583011	52583011 Water & WW - Source of Supply	B6751
52583013	52583013 Water & WW - Water Treatment	B6753
52583014	52583014 Water & WW - Transmission & Distribution	B6755
52583016	52583016 Water & WW - Admin & General	B6758
52572000	52572000 Telemetering - Source of Supply	B6751
52574000	52574000 Telephone - Natural Account	B6758
52574011	52574011 Telephone - Source of Supply	B6751
52574013	52574013 Telephone - Water Treatment	B6753

Account Number	Account Description	Alternative Account No.
52574014	52574014 Telephone - Transmission & Distribution	B6755
52574015	52574015 Telephone - Customer Accounting	B6757
52574016	52574016 Telephone - Admin & General	B6758
52574100	52574100 Cell Phone - Natural Account	B6758
52574111	52574111 Cell Phone - Source of Supply	B6751
52574113	52574113 Cell Phone - Water Treatment	B6753
52574114	52574114 Cell Phone - Transmission & Distribution	B6755
52574115	52574115 Cell Phone - Customer Accounting	B6757
52574116	52574116 Cell Phone - Admin & General	B6758
52574200	52574200 Data Lines - Admin & General	B6758
52574300	52574300 Wireless - Service First - Natural Account	B6758
52574314	52574314 Wireless - Service First-Transmission&Distribution	B6755
52574315	52574315 Wireless - Service First - Customer Accounting	B6757
52574316	52574316 Wireless - Service First - Admin & General	B6758
52562500	52562500 Overnight Shipping - Natural Account	B6758
52562511	52562511 Overnight Shipping - Source of Supply	B6751
52562513	52562513 Overnight Shipping - Water Treatment	B6753
52562514	52562514 Overnight Shipping - Transmission & Distribution	B6755
52562516	52562516 Overnight Shipping - Admin & General	B6758
52566000	52566000 Postage - Natural Account	B6758
52566016	52566016 Postage - Admin & General	B6758
52566700	52566700 Printing	B6758
52510000	52510000 Bank Service Charges - Natural Account	B6758
52510016	52510016 Bank Service Charges - Admin & General	B6758
52512500	52512500 Books & Publications	B6758
52526000	52526000 Credit Line Fees	B6758
52526100	52526100 Credit Line Fees Interco	B6758
52542000	52542000 Forms - Natural Account	B6758
52542016	52542016 Forms - Admin & General	B6758
52562000	52562000 Office & Admin Supplies - Natural Account	B6758
52562011	52562011 Office & Admin Supplies - Source of Supply	B6751
52562013	52562013 Office & Admin Supplies - Water Treatment	B6753
52562014	52562014 Office & Admin Supplies - Transmssn & Distr	B6755
52562015	52562015 Office & Admin Supplies - Customer Accounting	B6757
52562016	52562016 Office & Admin Supplies - Admin & General	B6758
52571500	52571500 Software Licenses	B6758
52582000	52582000 Uniforms - Natural Account	B6757
52582011	52582011 Uniforms - Source of Supply	B6751
52582012	52582012 Uniforms - Pumping	B6753
52582013	52582013 Uniforms - Water Treatment	B6753
52582014	52582014 Uniforms - Transmission & Distribution	B6755
52582015	52582015 Uniforms - Customer Accounting	B6757
52582016	52582016 Uniforms - Admin & General	B6757
52599800	52599800 PCard Undistributed	B6758
52801000	52801000 Capital Purchases Clearing	B6758
52801100	52801100 Indirect Overhead Clearing	B6758
52801500	52801500 Dev Funded Const Clearing	B6758
52805000	52805000 Budget COR Clearing	B6758
52805100	52805100 Indirect Overhead RWIP Clearing	B6758
52503000	52503000 Advertising	B6608

Account Number	Account Description	Alternative Account No.
52577500	52577500 Trade Shows	B6751
52534000	52534000 Employee Expenses	B6758
52534200	52534200 Conferences & Registration	B6758
52535000	52535000 Meals Deductible	B6758
52535100	52535100 Meals Non-Deductible	B6758
52567000	52567000 Relocation Expenses	B6758
52000000	52000000 M & S (O&M) - Natural Account	B6205
52001100	52001100 M & S Oper - Source of Supply	B6201
52001200	52001200 M & S Oper - Pumping	B6201
52001300	52001300 M & S Oper - Water Treatment	B6203
52001400	52001400 M & S Oper - Transmission & Distribution	B6205
52001500	52001500 M & S Oper - Customer Accounting	B6207
52001600	52001600 M & S Oper - Admin & General	B6208
52001601	52001601 Shipper's Edge Freight w/o Inventory	
52500000	52500000 Misc Exp (O&M) - Natural Acct	B6758
52501100	52501100 Misc Oper - Source of Supply	B6751
52501200	52501200 Misc Oper - Pumping	B6751
52501300	52501300 Misc Oper - Water Treatment	B6753
52501400	52501400 Misc Oper - Transmission & Distribution	B6755
52501410	52501410 Misc Oper - Transmission & Distribution Storage	B6755
52501415	52501415 Misc Oper - Transmission & Distribution Mains	B6755
52501420	52501420 Misc Oper - Transmission & Distribution Meters	B6755
52501425	52501425 Misc Oper - Transmssn & Distr Meter Install	B6755
52501600	52501600 Misc Oper - Admin & General	B6758
52513200	52513200 Business Development	B6758
52514000	52514000 Charitable Contribution Deductible	B6758
52514100	52514100 Charitable Contribution Nondeductible	B6758
52514500	52514500 Charitable Donations - Health/Education/Environmnt	B6758
52514600	52514600 Charitable Donations - Community	B6758
52514700	52514700 Community Partnerships	B6758
52514800	52514800 Community Commercial Initiatives	B6758
52514900	52514900 Customer Education	B6758
52514901	52514901 Customer Education Communication - Reg	B6758
52514902	52514902 Customer Education Communication - Third Party	B6758
52514903	52514903 Customer Education Communication - Issues	B6758
52514904	52514904 Customer Education Communication - Conservation	B6758
52514905	52514905 Customer Education Communication - Printed	B6758
52514907	52514907 Customer Education - Press Releases	B6758
52514908	52514908 Customer Education - Media Editorial	B6758
52514909	52514909 Customer Education - Video & Photo	B6758
52514910	52514910 Customer Education - Online Development/Production	B6758
52515000	52515000 Community Relations - Events	B6758
52515001	52515001 Community Relations - Specialty	B6758
52522000	52522000 Community Relations	B6758
52524000	52524000 Co Dues/Membership Deductible	B6758
52524100	52524100 Co Dues/Membership Nondeductible	B6758
52525000	52525000 Condemnation Costs	B6758
52525500	52525500 Conservation Expense	B6758
52527000	52527000 Directors Fees	B6758
52527100	52527100 Directors Expenses	B6758

Account Number	Account Description	Alternative Account No.
52540000	52540000 Amort Bus Services Proj Exp	B6758
52548100	52548100 Hiring Costs	B6758
52549000	52549000 Injuries and Damages	B6758
52549500	52549500 Inventory Physical Write-off Scrap	B6758
52554500	52554500 Lab Supplies	B6753
52556000	52556000 Lobbying Expenses	B6758
52556500	52556500 Low Income Pay Program	B6758
52564000	52564000 Penalties Nondeductible	B6758
52568000	52568000 Research & Development	B6758
52579000	52579000 Trustee Fees	B6758
52585000	52585000 Discounts Available	B6758
52585100	52585100 Discounts Lost	B6758
52586000	52586000 PO Small Price Differences - within tolerance	B6758
54110000	54110000 Rents-Real Property - Natural Account	B6418
54110011	54110011 Rents-Real Property - Source of Supply	B6411
54110012	54110012 Rents-Real Property - Pumping	B6411
54110013	54110013 Rents-Real Property - Water Treatment	B6413
54110014	54110014 Rents-Real Property - Transmission & Distribution	B6415
54110015	54110015 Rents-Real Property - Customer Accounting	B6417
54110016	54110016 Rents-Real Property - Admin & General	B6418
54115000	54115000 Rents-Real Property Interco	B6418
54140000	54140000 Rents-Equipment - Natural Account	B6428
54140011	54140011 Rents-Equipment - Source of Supply	B6421
54140012	54140012 Rents-Equipment - Pumping	B6421
54140013	54140013 Rents-Equipment - Water Treatment	B6423
54140014	54140014 Rents-Equipment - Transmission & Distribution	B6425
54140015	54140015 Rents-Equipment - Customer Accounting	B6427
54140016	54140016 Rents-Equipment - Admin & General	B6428
54145000	54145000 Rents-Equipment Intercompany	B6418
55000000	55000000 Transportation (O&M) - Natural Account	B6508
55000011	55000011 Transportation Oper - Source of Supply	B6501
55000012	55000012 Transportation Oper - Pumping	B6501
55000013	55000013 Transportation Oper - Water Treatment	B6503
55000014	55000014 Transportation Oper - Transmission & Distribution	B6505
55000015	55000015 Transportation Oper - Customer Accounting	B6507
55000016	55000016 Transportation Oper - Admin & General	B6508
55000021	55000021 Transportation Maint - Source of Supply	B6502
55000022	55000022 Transportation Maint - Pumping	B6502
55000023	55000023 Transportation Maint - Water Treatment	B6504
55000024	55000024 Transportation Maint - Transmission & Distribution	B6506
55000026	55000026 Transportation Maint - Admin & General	B6508
55000100	55000100 Transportation Capitalized Credits	B6508
55010100	55010100 Transportation Lease Costs	B6508
55010200	55010200 Transportation Lease Fuel	B6508
55010300	55010300 Transportation Lease Maint	B6508
55010400	55010400 Transportation - Employee Reimbursement to Company	B6508
55010500	55010500 Transportation - Reimburse Non-AW Vehicle Use	B6508
55020000	55020000 Fuel - Physical Inventory Write-off Scrap	B6508
57010000	57010000 Uncollectible Accounts Exp - Natural Account	B6707
57010015	57010015 Uncollectible Accounts Exp - Customer Accounting	B6707

Account Number	Account Description	Alternative Account No.
57010016	57010016 Uncollectible Accounts Exp - Admin & General	B6707
57010100	57010100 Uncollectible Accounts Exp - Individual	B6707
57010199	57010199 Uncollectible Expense - Leak Adjustments	B6707
52501500	52501500 Misc Oper - Customer Accounting	B6757
52501510	52501510 Misc Oper - Customer Accounting Mtr Read	B6757
52501515	52501515 Misc Oper - Customer Accounting Cust Rec	B6757
52501520	52501520 Misc Oper - Customer Accounting Cust Serv	B6757
52510015	52510015 Bank Service Charges - Customer Accounting	B6757
52514906	52514906 Customer Education - Bill Inserts	B6758
52520000	52520000 Collection Agencies	B6757
52542015	52542015 Forms - Customer Accounting	B6757
52562515	52562515 Overnight Shipping - Customer Accounting	B6757
52566015	52566015 Postage - Customer Accounting	B6757
56610000	56610000 Regulatory Exp - Amortization	B6668
56611000	56611000 Regulatory Exp - Not Authorized	B6668
56620000	56620000 Regulatory Exp - Amort Depreciation Study	B6678
56630000	56630000 Regulatory Exp - Amort Management Study	B6678
56670000	56670000 Regulatory Exp - Other	B6678
55110000	55110000 Insurance Vehicle	B6568
55115000	55115000 Insurance Vehicle - Intercompany	B6568
55710000	55710000 Insurance General Liabilty	B6578
55711000	55711000 Insurance Casualty Reserve	B6578
55715000	55715000 Insurance General Liabilty - Intercompany	B6578
55720000	55720000 Insurance Workers Compensation	B6588
55720100	55720100 Insurance WC Capitalized Credits	B6588
55725000	55725000 Insurance Workers Compensation - Intercompany	B6588
55730000	55730000 Insurance Other	B6598
55735000	55735000 Insurance Other - Intercompany	B6598
55740000	55740000 Insurance Property	B6598
55745000	55745000 Insurance Property - Intercompany	B6598
62002100	62002100 M&S Maint - Source of Supply	B6202
62002200	62002200 M&S Maint - Pumping	B6202
62002300	62002300 M&S Maint - Water Treatment	B6204
62002400	62002400 M&S Maint - Transmission & Distribution	B6206
62002600	62002600 M&S Maint - Admin & General	B6208
62502100	62502100 Misc Maint - Source of Supply	B6752
62502110	62502110 Misc Maint - Source of Supply Struct & Imp	B6752
62502115	62502115 Misc Maint - Source of Supply Coll & Imp	B6752
62502120	62502120 Misc Maint - Source of Supply Lake	B6752
62502125	62502125 Misc Maint - Source of Supply Wells	B6752
62502130	62502130 Misc Maint - Source of Supply Infil Gallery	B6752
62502135	62502135 Misc Maint - Source of Supply Supply Mains	B6752
62502200	62502200 Misc Maint - Pumping	B6752
62502210	62502210 Misc Maint - Pumping - Struct & Imp	B6752
62502215	62502215 Misc Maint - Pumping - Power Production	B6752
62502300	62502300 Misc Maint - Water Treatment	B6754
62502310	62502310 Misc Maint - Water Treatment - Struct & Imp	B6754
62502315	62502315 Misc Maint - Water Treatment - Equipment	B6754
62502400	62502400 Misc Maint - Transmission & Distribution	B6756
62502410	62502410 Misc Maint - Transmission & Distr - Struct & Imp	B6756

Account Number	Account Description	Alternative Account No.
62502415	62502415 Misc Maint - Transmission & Distrib - Dist Res	B6756
62502420	62502420 Misc Maint - Transmission & Distribution - Mains	B6756
62502425	62502425 Misc Maint - Transmission & Distrib - Fire Main	B6756
62502430	62502430 Misc Maint - Transmission & Distribution - Service	B6756
62502435	62502435 Misc Maint - Transmission & Distribution - Meters	B6756
62502440	62502440 Misc Maint - Transmission & Distribution - Hydrant	B6756
62502600	62502600 Misc Maint - Admin & General	B6758
62510000	62510000 Amort Def Maint - Natural Account	B6756
62512100	62512100 Amort Def Maint - Source of Supply	B6752
62512200	62512200 Amort Def Maint - Pumping	B6752
62512300	62512300 Amort Def Maint - Water Treatment	B6754
62512400	62512400 Amort Def Maint - Transmission & Distribution	B6756
62520700	62520700 Misc Maint Paving/Backfill	B6756
62520800	62520800 Misc Maint Permits - Natural Account	B6752
62520821	62520821 Misc Maint Permits - Source of Supply	B6752
62520824	62520824 Misc Maint Permits - Transmission & Distribution	B6756
63110021	63110021 Contract Svc-Eng Maint - Source of Supply	B6312
63110022	63110022 Contract Svc-Eng Maint - Pumping	B6312
63110023	63110023 Contract Svc-Eng Maint - Water Treatment	B6314
63110024	63110024 Contract Svc-Eng Maint - Transmission & Distr	B6316
63110026	63110026 Contract Svc-Eng Maint - Admin & General	B6318
63150021	63150021 Contract Svc-Other Maint - Source of Supply	B6352
63150022	63150022 Contract Svc-Other Maint - Pumping	B6353
63150023	63150023 Contract Svc-Other Maint - Water Treatment	B6354
63150024	63150024 Contract Svc-Other Maint - Transmission & Distr	B6356
63150026	63150026 Contract Svc-Other Maint - Admin & General	B6358
52801200	52801200 Capital Accrual Clearing	B6758
52801700	52801700 T&I Indirect OH Clearing	B6758
88101000	88101000 Capital Movements - UP	B6758
88106000	88106000 Capital Movements - CCNC	B6758
88107000	88107000 Capital Movements - CWIP	B6758
88108020	88108020 Capital Movements - UP - A/D - Salvage	B6758
88121000	88121000 Capital Movements - Non-Utility Property	B6758
88121800	88121800 Capital Movements - Non-Utility Property - CWIP	B6758
88186800	88186800 Capital Movements - Reg Asset Cost of Removal	B6758
88186801	88186801 Capital Movements - Reg Asset Cost of Removal RWIP	B6758
88252100	88252100 Capital Movements - ADV NT	B6758
88252170	88252170 Capital Movements - ADV NT WIP	B6758
88252200	88252200 Capital Movements - ADV Tax	B6758
88252270	88252270 Capital Movements - ADV Tax WIP	B6758
88257000	88257000 Capital Movements - Cost of Removal	B6758
88257100	88257100 Capital Movements - RWIP	B6758
88271100	88271100 Capital Movements - CIAC NT	B6758
88271170	88271170 Capital Movements - CIAC NT WIP	B6758
88271200	88271200 Capital Movements - CIAC Tax	B6758
88271270	88271270 Capital Movements - CIAC Tax WIP	B6758
88900000	88900000 Capital Movements - Settlement	B6758
68011000	68011000 Depreciation Exp - UPIS General	B403
68011100	68011100 Depreciation Expense - Vehicles	B403
68011110	68011110 Depreciation Expense -Capitalized Credits	B403

Account Number	Account Description	Alternative Account No.
68011200	68011200 Depreciation Exp - Non-Utility Property	B403
68011500	68011500 Depreciation Exp - Amort Def Depreciation	B403
68012000	68012000 Depreciation Exp - Amort CIAC Tax	B403
68012500	68012500 Depreciation Exp - Amort CIAC Nontax	B403
68013000	68013000 Depreciation Exp - UPAA FAS141	B403
68013500	68013500 Depreciation Exp - Neg UPAA	B406
68014000	68014000 Depreciation Exp - Regulatory Acq Adj	B406
68251000	68251000 Amortization - Ltd Term Plant	B4071
68252000	68252000 Amortization - Capital Leases	B4071
68253000	68253000 Amortization - Post In-Service AFUDC	B4071
68254000	68254000 Amortization - Reg Asset AFUDC	B4071
68255000	68255000 Amortization - UPAA	B406
68256000	68256000 Amortization - Intangible Finite Life	B406
68257000	68257000 Amortization - Property Losses	B4072
68258000	68258000 Amortization - Reg Asset	B4071
68259000	68259000 Amortization - Other UP	B4071
68311000	68311000 Removal Costs - ARO/Net Neg Salvage	B403
68312000	68312000 Removal Costs - Net Negative Salvage CIAC Tax	B403
68312500	68312500 Removal Costs - Net Negative Salvage CIAC Non-Tax	B403
69011000	69011000 FIT - Current	B40910
69011400	69011400 FIT - Current - Unitary Returns	B40910
69012000	69012000 FIT - Prior Year Adjustment	B40910
69012400	69012400 FIT - Prior Year - Unitary Returns	B40910
69012500	69012500 FIT - Acquisition Adjustment	B40910
69013100	69013100 FIT - Income Tax Interest	B40910
69013200	69013200 FIT - Income Tax Penalty	B40910
69021000	69021000 SIT - Current	B40911
69021400	69021400 SIT - Current - Unitary Returns	B40911
69022000	69022000 SIT - Prior Year Adjustment	B40911
69022400	69022400 SIT - Prior Year - Unitary Returns	B40911
69022500	69022500 SIT - Acquisition Adjustment	B40911
69023100	69023100 SIT - Income Tax Interest	B40910
69023200	69023200 SIT - Income Tax Penalty	B40910
69061000	69061000 Deferred FIT - Current Year	B41010
69061400	69061400 Deferred FIT - Current Year - Unitary Returns	B41010
69062000	69062000 Deferred FIT - Prior Year Adjustment	B41010
69062400	69062400 Deferred FIT - Prior Year - Unitary Returns	B41010
69063000	69063000 Deferred FIT - Reg Asset/Liability	B41010
69065000	69065000 Deferred FIT - Other	B41010
69071000	69071000 Deferred SIT - Current Year	B41011
69071400	69071400 Deferred SIT - Current Year - Unitary Returns	B41011
69072000	69072000 Deferred SIT - Prior Year Adjustment	B41011
69072400	69072400 Deferred SIT - Prior Year - Unitary Returns	B41011
69073000	69073000 Deferred SIT - Reg Asset/Liability	B41011
69073500	69073500 Deferred SIT - Other	B41011
69522000	69522000 Investment Tax Credits Restored - 3%	B41211
69523000	69523000 Investment Tax Credits Restored - 4%	B41211
69524000	69524000 Investment Tax Credits Restored - 10%	B41211
69525000	69525000 Investment Tax Credits Restored - 6%	B41211
69550000	69550000 Investment Tax Credits Restored SIT	B41211

Account Number	Account Description	Alternative Account No.
68520000	68520000 Property Taxes	B40811
68520100	68520100 Tax Discounts	B40811
68529000	68529000 Property Tax Non-Utility Property	B40820
68532000	68532000 FUTA	B40812
68532100	68532100 FUTA Cap Credits	B40812
68533000	68533000 FICA	B40812
68533100	68533100 FICA Cap Credits	B40812
68535000	68535000 SUTA	B40812
68535100	68535100 SUTA Cap Credits	B40812
68536000	68536000 ER Local Tax	B40812
68536100	68536100 Local Cap Credit	B40812
68541000	68541000 Capital Stock Tax	B40813
68542000	68542000 Enviromental Tax	B40813
68543000	68543000 Other Taxes and Licenses	B40813
68544000	68544000 Gross Receipts Tax	B40813
68545000	68545000 Utility Reg Assessment	B40810
59011000	59011000 Gains/Losses Non-Utility Property Disposals	B426
59011500	59011500 Gains/Losses Non-Utility Property Sales	B426
59021000	59021000 Gains/Losses Utility Property Sales	B426
59022000	59022000 Gains/Losses Acquisition of Asset	B426
71010000	71010000 Dividend Income	B419
71015000	71015000 Dividend Income C/S Interco	B419
71030000	71030000 Dividend Income P/S Interco	B419
81810000	81810000 Interest Income	B419
81815000	81815000 Interest income-LTD intercompany	B419
81815100	81815100 Interest Income - STD Intercompany	B4273
81816000	81816000 Interest Income - LTD debt discount amort	B4273
81817000	81817000 AWTR Interest Income - LTD debt premium amort	B4273
70510000	70510000 AFUDC - Equity	B420
71511000	71511000 M&J Revenues	B415
71511500	71511500 M&J Revenues Intercompany	B415
71511510	71511510 M&J Rev WLPP Billing Intercompany	B415
71521000	71521000 M&J Expenses	B416
71521500	71521500 M&J Expenses Intercompany	B416
71611000	71611000 Misc Nonutility Revenue	B421
71611100	71611100 Misc Nonutility Rev Rents	B421
71611510	71611510 Misc Nonutility Revenue Intercompany	B421
71611520	71611520 Misc Nonutility Rev Debt Exp Intercompany	B421
71611530	71611530 Misc Nonutility Rev Credit Line Intercompany	B421
71611540	71611540 Misc Nonutility Rev Rent Intercompany	B421
71621000	71621000 Misc Nonutility Expense	B426
71630000	71630000 Misc Nonutility JV Profit/Loss	B426
71711000	71711000 Gains/Losses SERP Inv (Suppl Exec Retiremnt Plan)	B426
71712000	71712000 Gains/Losses Other Non-Operating	B426
71713000	71713000 Gains/Losses Deferred Comp Trust	B426
72801000	72801000 Adv Receipt Services Clearing	B421
72801100	72801100 Adv Receipt Non-Services Clearing	B421
72801200	72801200 Adv Refund Services Clearing	B421
72801300	72801300 Adv Refund Non-Services Clearing	B421
72802000	72802000 CIAC Receipt Services Clearing	B421

Account Number	Account Description	Alternative Account No.
72802100	72802100 CIAC Receipt Non-Services Clearing	B421
72803000	72803000 Salvage/Scrap Receipt Clearing	B421
72803100	72803100 Property Sale Receipt Clearing	B421
58001000	58001000 Impairment - Goodwill	B6758
58001500	58001500 Impairment - Intangibles	B6758
58002000	58002000 Impairment - Plant Property & Equipment	B6758
75510000	75510000 Amortize UPAA	B426
75520000	75520000 Amortize Preferred Stock Expense	B426
75810000	75810000 Donations Deductible	B426
75811000	75811000 Donations Deduct Customer Assist	B426
75815000	75815000 Donations Non-deductible	B426
75820000	75820000 Other Income Deductions	B426
75840000	75840000 Lobbying Expenses	B426
75841000	75841000 Political Contributiions	B426
69031000	69031000 FIT - Other Income & Deductions Current Year	B40920
69031500	69031500 FIT - Reduction Acquisition Adjustment	B40920
69041000	69041000 SIT - Other Income & Deductions Current Year	B40920
69041500	69041500 SIT - Reduction Acquisition Adjustment	B40920
81010000	81010000 Interest Long Term Debt	B4273
81015000	81015000 Interest Long Term Debt Intercompany	B4273
81016000	81016000 Interest expense-LTD debt discount amort inside	B4273
81017000	81017000 Early Debt Retirement Loss - External	B4273
81017100	81017100 Early Debt Retirement Gain - Intercompany	B4273
81017200	81017200 Early Debt Retirement Loss - Intercompany	B4273
81020000	81020000 Dividends Declared P/S w/ Mand Redemptn Requiremts	B437
81030000	81030000 Interest Capital Lease	B4273
81035000	81035000 Interest Capital Lease Intercompany	B4273
81050000	81050000 Interest LTD Gain/Loss Hedge SWAP	B4273
81050100	81050100 Interest LTD Gain/Loss Hedge Debt	B4273
81050300	81050300 Gain on Hedge	B4273
81050305	81050305 Gain on Hedge Intercompany	B4273
81050400	81050400 Loss on Hedge	B4273
81050405	81050405 Loss on Hedge Intercompany	B4273
81055200	81055200 Interest LTD Gain/Loss Hedge Intercompany	B4273
81310000	81310000 Interest Short Term Debt	B4272
81315000	81315000 Interest Short Term Debt Intercompany	B4272
81315100	81315100 In-House Cash Center Interest Inc/Exp Clearing	B4272
81500000	81500000 Interest Other	B4275
85000000	85000000 AFUDC Debt	B420
82010000	82010000 Amortize Debt Disc & Exp	B428
82015000	82015000 Amortize Debt Disc & Exp Intercompany	B428
82016000	82016000 Amortize Debt Exp Inside-Revolving Credit Line	B428
82020000	82020000 Amort P/S Exp w/ Mandatory Redemptn Requiremts	B428
86031000	86031000 Dividend Declared Preferred Stock	B437
86031500	86031500 Dividend Declared Preferred Stock Intercompany	B437
86021000	86021000 Dividend Declared Common Stock	B438
86021500	86021500 Dividend Declared Common Stock Intercompany	B438

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Bob Lane

Question 006

Provide copies of all rate case orders for TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company issued since TAWC's last rate case or within the past three (3) years, whichever time is shorter.

Response:

TAWC has not had a rate case in the past three (3) years. The last order was in TPUC Docket No. 12-00049 (November of 2012).

Please see 2024 TAWC MFG Q006_Attachment for the last rate case order.

BEFORE THE TENNESSEE REGULATORY AUTHORITY

AT NASHVILLE, TENNESSEE

November 20, 2012

IN RE:	)	
	)	
PETITION OF TENNESSEE AMERICAN WATER COMPANY FOR A GENERAL RATE INCREASE, IMPLEMENTATION OF A DISTRIBUTION SYSTEM INFRASTRUCTURE CHARGE AND THE ESTABLISHMENT OF TRACKING MECHANISMS FOR PURCHASED POWER, PENSIONS AND CHEMICAL EXPENSES	)	**DOCKET NO. 12-00049**

ORDER APPROVING SETTLEMENT AGREEMENT

This matter came before Chairman Kenneth C. Hill, Director Sara Kyle and Director James M. Allison of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on October 15, 2012, for consideration of the *Stipulation and Settlement Agreement* filed on October 1, 2012.

BACKGROUND

Tennessee-American Water Company ("TAWC" or the "Company") filed a *Petition* on June 1, 2012, requesting an increase in its annual revenues of $10,586,344, with an overall rate of return of 8.23% on a rate base of $135,820,256.[1] In addition, TAWC requested the implementation of a Distribution System Infrastructure Charge ("DSIC") and tracking mechanisms for Pensions and Purchased Power and Chemical Charges.[2] The Company also submitted pre-filed testimony from several witnesses in support of its *Petition*.

[1] *Petition*, p. 3 (June 1, 2012).
[2] *Id.* at 4-5.

Petitions to Intervene in this docket were filed by the Consumer Advocate and Protection Division of the Office of the Attorney General ("Consumer Advocate") on June 13, 2012; the City of Chattanooga (the "City") on July 5, 2012; the Town of Signal Mountain ("Signal Mountain") on July 6, 2012; Walden's Ridge Utility District on July 18, 2012; and the Chattanooga Regional Manufacturers Association on August 24, 2012. All Petitions to Intervene were granted by the Hearing Officer. [3]

Following substantial discovery, the Consumer Advocate, the City, and Signal Mountain submitted pre-filed testimony in the docket on August 27, 2012. On October 1, 2012, TAWC and the intervenors (collectively, the "Parties") submitted the *Stipulation and Settlement Agreement*, as described below.

STIPULATION AND SETTLEMENT AGREEMENT

The proposed *Stipulation and Settlement Agreement*, which is fully set forth in Exhibit A to this Order, provides for a revenue increase of $5,200,000 annually, which is a 12% overall increase.[4] For purposes of settling the docket, the Parties agree to a required net operating income of $9,550,649 and a rate base of $132,015,472.[5] In addition, the Parties agree to an overall return of 7.23%, which includes a return on equity of 10.0%.[6] The Parties further agree that the rates and rate design set as set forth in Attachment A to the *Stipulation and Settlement Agreement* are fair and reasonable and appropriate for use in this proceeding, and that the revised rates will have an effective date of November 1, 2012.[7] Further, the Company agrees to withdraw the proposed DSIC and tracking mechanisms from consideration and to file quarterly updates on capital spending in this docket.[8] The Parties also agree that the revised rates, tariffs,

[3] Chairman Kenneth C. Hill served as Hearing Officer in this docket. *See Order Suspending Tariff for One Hundred and Eighty Days, Convening a Contested Case and Appointing Hearing Officer* (June 14, 2012).
[4] *Stipulation and Settlement Agreement*, p. 3 (October 1, 2012).
[5] *Id.* at 4.
[6] *Id.*
[7] *Id.*
[8] *Id.* at 4-5.

rate schedules and service regulations in the settlement are fair and reasonable to all customer classes and will provide TAWC with a reasonable opportunity to recover the revenue requirement and a reasonable rate of return on investment.[9]

The Parties also agree that the revenue requirement for pension expense is calculated based on the latest actuarial report of FAS 87 for American Water Works Service Company and the ERISA minimum required contribution for TAWC. Further, the recovery of all costs in developing and implementing new software (described in testimony as Business Transformation) is included in the annual revenue requirement. In addition, the existing depreciation rates for TAWC will continue, except that the depreciation rate for assets in the Business Transformation project will apply effective November 1, 2012.

In their agreement, the Parties also request the Authority to order that the settlement of any issue pursuant to the *Stipulation and Settlement Agreement* shall not be cited by the Parties or any other entity as binding precedent in any other proceeding before the Authority or any court, state or federal.[10]

On October 2, 2012, TAWC filed tariffs consistent with the *Stipulation and Settlement Agreement*, with an effective date of November 1, 2012.

THE HEARING

The Hearing in this matter was held before the voting panel on October 15, 2012, as noticed by the Authority on October 5, 2012.[11] Participating in the Hearing, either personally or telephonically, were the following Parties and their respective counsel:

> Tennessee-American Water Company – **Melvin J. Malone, Esq.,** Butler, Snow, O'Mara, Stevens & Cannada, PLLC, 1200 One Nashville Place, 150 Fourth Ave. North, Nashville, TN 37219 and **Lindsay W. Ingram, III, Esq.**, Stoll Keenon Ogden PLLC, 300 West Vine St., Suite 2100, Lexington, KY 40507.

[9] *Id.* at 5.
[10] *Id.* at 8.
[11] On October 12, 2012, TAWC filed its Notice of Publication as required by TRA Rule 1220-4-1-.05. The Notice included, among other things, proof of the Company's public notice of the panel's October 15, 2012 deliberations.

Consumer Advocate and Protection Division – **Ryan McGehee, Esq.**, Office of the Attorney General, 425 5th Ave. N, John Sevier Building, P.O. Box 20207, Nashville, TN 37202.

City of Chattanooga – **Frederick L. Hitchcock, Esq.**, Chambliss, Bahner & Stophel, PC, 1000 Tallan Building, Two Union Square, Chattanooga, TN 37402 and **Michael A. McMahan, Esq.**, 100 East 11th St., Suite 200, Chattanooga, TN 37402.

Town of Signal Mountain – **Phillip A. Noblett, Esq.**, 100 East 11th St., Suite 200, Chattanooga, TN 37402.

Walden's Ridge Utility District – **William H. Horton, Esq.**, Horton, Ballard & Pemerton, 735 Broad St., Suite 306, Chattanooga, TN 37402.

Chattanooga Regional Manufacturers Association – **David Higney, Esq.**, Grant, Konvalinka & Harrison, PC, 633 Chestnut St., Suite 900, Chattanooga, TN 37450.

During the Hearing, the Consumer Advocate presented the *Stipulation and Settlement Agreement* to the panel, and all Parties indicated they were in agreement. Members of the public were given an opportunity to present comments, but no one sought recognition to do so.[12]

FINDINGS AND CONCLUSIONS

Following the Hearing and presentation of the proposed *Stipulation and Settlement Agreement*, the panel deliberated this matter at the regularly scheduled Authority Conference held on October 15, 2012. The panel found that the terms of the agreement were within the "zone of reasonableness" that takes into consideration both the interests of the consumer and the utility,[13] and further promote the public interest by balancing the interests of the utility consumers and the provider. In addition, the panel found that, in accepting the agreement, the Authority was not adopting any specific means, models or methodologies used to calculate the resulting agreed-upon terms. Based upon these findings, the panel voted unanimously to approve the *Stipulation and Settlement Agreement.*

[12] A public service standard hearing was held in Chattanooga on September 20, 2012, during which several members of the public appeared and presented comments.

[13] *See Tennessee Cable Television Ass'n v. Public Serv. Comm'n,* 844 S.W. 2nd 151, 159 (Tenn. Ct. App. 1992).

IT IS THEREFORE ORDERED THAT:

1. The *Stipulation and Settlement Agreement,* a copy of which is attached to this Order as Exhibit A, is approved and adopted, and incorporated in this Order as if fully rewritten herein.

2. The settlement of any issue pursuant to the *Stipulation and Settlement Agreement* shall not be cited by the Parties or any other entity as binding precedent in any other proceeding before the Authority or any court, state or federal.

Chairman Kenneth C. Hill, Director Sara Kyle and Director James M. Allison concur.

ATTEST:

Earl Taylor

Earl R. Taylor, Executive Director

Exhibit A

filed electronically in 10/01/12

IN THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE

IN RE: PETITION FOR A GENERAL RATE INCREASE, IMPLEMENTATION OF A DISTRIBUTION SYSTEM INFRASTRUCTURE CHARGE AND THE ESTABLISHMENT OF TRACKING MECHANISMS FOR PURCHASED POWER, PENSIONS AND CHEMICAL EXPENSES	))))))	**DOCKET NO. 12-00049**

STIPULATION AND SETTLEMENT AGREEMENT

Tennessee American Water Company ("TAWC" or "Company") and Robert E. Cooper, Jr., the Tennessee Attorney General and Reporter, through the Consumer Advocate and Protection Division ("Consumer Advocate"), the City of Chattanooga ("City"), the Chattanooga Regional Manufacturers Association ("CRMA"), Walden's Ridge Utility District ("Walden's Ridge"), and the Town of Signal Mountain ("Signal Mountain") (collectively, "Parties") constituting all of the parties to the above-captioned general rate proceeding and in comprehensive settlement of the matters at issue therein, do hereby stipulate and agree as follows:

BACKGROUND

1. TAWC is a wholly-owned subsidiary of American Water Works Company, Inc. TAWC is incorporated under the laws of the State of Tennessee and is duly domesticated and engaged in the business of providing water service to customers in Hamilton County and surrounding areas, including customers in Georgia. TAWC's principal office and place of business is located at 1101 Broad Street, Chattanooga, Tennessee 37402.

2. TAWC is a public utility in Tennessee and is subject to regulation and supervision by the Tennessee Regulatory Authority ("TRA" or the "Authority") pursuant to Chapter 4 of Title 65 of the Tennessee Code Annotated.

3. On June 1, 2012, TAWC filed a Petition for Adjustment of its Rates and Charges. In its petition, TAWC sought an increase in its annual revenues of $10,586,344, an increase in rates of 24.9%. In addition, TAWC requested the implementation of a Distribution System Infrastructure Charge ("DSIC") and tracking mechanisms for Purchased Power, Pensions and Chemical Expenses.

4. On June 13, 2012, the Consumer Advocate filed a Petition to Intervene in this proceeding. On July 5, 2012, the City filed a Petition to Intervene. On July 6, 2012, Signal Mountain filed a Petition to Intervene. On July 18, 2012, Walden's Ridge filed a Petition to Intervene. On August 24, 2012, CRMA filed a Petition to Intervene. Herein, the Consumer Advocate, City, Signal Mountain, CRMA and Walden's Ridge (collectively, "Intervening Parties") constitute the only entities which have sought intervention in this proceeding.

5. Since the filing of TAWC's Petition, the Parties to this proceeding have engaged in substantial discovery, informal information exchanges and extensive communication. In addition to the information provided pursuant to the Authority's Minimum Filing Requirements, TAWC has responded to 86 data requests from the Authority's Staff and 255 data requests from the Intervening Parties. TAWC representatives and representatives from the Consumer Advocate have also spent a significant amount of time discussing the various aspects of the Company's rate case.

6. On August 27, 2012, the Consumer Advocate, the City, Signal Mountain, and Walden's Ridge filed testimony in this proceeding challenging several aspects of the Company's

Petition, including the requested revenue increase. In this testimony, witnesses for the Consumer Advocate and the City recommended a number of changes to the relief sought by TAWC, including a proposed reduction in the Company's attrition period revenue requirement. The Consumer Advocate proposed a revenue increase of $2.8 million, an amount millions less than that proposed by the Company. In addition, the Consumer Advocate and the City opposed the Company's proposed DSIC and tracking mechanisms for Pensions, Chemical and Purchased Power.

SETTLEMENT

7. Following TAWC's review of the direct testimony filed by the Intervening Parties, representatives of TAWC, the Consumer Advocate, CRMA and the City met by phone and in person to discuss the possibility of a settlement in this proceeding.

8. Based on the exchange of information and discussions described above, and in order to resolve this case through settlement and avoid the need for further litigation and expenses for all Parties and without waiving any positions asserted in this docket, TAWC and the Intervening Parties have agreed to certain adjustments to TAWC's petition which are discussed herein.

9. Attrition Period. TAWC and the Consumer Advocate agree that the appropriate attrition period for use in this proceeding is the 12 months ended November 30, 2013.

10. Revenue Deficiency. The adjustments to TAWC's filed case described in paragraph 8 above collectively reduce TAWC's attrition period revenue deficiency from $10,586,344 (an increase of 24.9%) to $5,200,000 (an increase of 12.0%). Subject to Authority

approval, the Company and the Intervening Parties agree that this reduction in TAWC's attrition period revenue deficiency is reasonable and appropriate.

11. Revenue Requirement. The Company and the Intervening Parties agree that TAWC's attrition period cost of service should include the components set forth on Attachment A hereto, which TAWC and the Intervening Parties agree are fair and reasonable to the Company and its customers for purposes of settling this docket and which include the following:

a. Required Operating Income of $9,550,649;

b. A rate base of $132,015,472;

c. An overall rate of return of 7.23%;

d. A return on common equity of 10.0%;

e. A capital structure consisting of 3.30% short-term debt, 62.29% long-term debt, and 34.38% equity;

f. A cost of short-term debt of 1.0%;

g. A cost of long-term debt of 6.04%;

12. Rates. TAWC and the Intervening Parties agree that the rates reflected on Attachment A are fair and reasonable and appropriate for use to resolve this proceeding.

13. TAWC and the Intervening Parties further stipulate and agree:

a. Subject to TRA approval of this Stipulation and Settlement Agreement, the rates proposed in this Stipulation and Settlement Agreement shall have an effective date of November 1, 2012.

b. The rate design set forth on Attachment A hereto, including the constituent components of rates for each of TAWC's customer classes, is fair and reasonable and appropriate for use in this proceeding;

c. The Company withdraws the proposed DSIC and tracking mechanisms for Purchased Power, Pensions and Chemical Expenses from consideration in this proceeding.

d. TAWC shall file quarterly updates on capital spending which shall be filed publicly in this docket and served electronically to the Consumer Advocate.

e. The revenue requirement for pension expense is calculated based on the latest actuarial report of FAS 87 for American Water Works Service Company and the ERISA minimum required contribution for TAWC.

f. That recovery of all costs in developing and implementing new SAP-based software (described in TAWC testimony as Business Transformation) is included in the agreed-upon $5.2 million annual revenue requirement. The Intervening Parties reserve the right to challenge the reasonableness, prudency and accuracy of any costs associated with Business Transformation or other system implemented by AWWC and TAWC in future proceedings.

g. That the existing depreciation rates for TAW shall continue to apply except that the depreciation rate of 10% per year for assets included in TAWC's "Business Transformation" project shall apply effective November 1, 2012.

14. The Parties hereby agree that the revised rates, tariffs, rate schedules, and service regulations agreed to herein, both individually and in the aggregate, are fair and reasonable to all customer classes and will provide TAWC with a reasonable opportunity to recover the agreed-upon operating revenue requirement and a reasonable rate of return on investment.

15. The Parties agree to support this Stipulation and Settlement Agreement before the Authority and in any hearing, proposed order, or brief conducted or filed in this proceeding; provided, however, that the settlement of any issue provided for herein shall not be cited as precedent by any of the stipulating Parties hereto in any unrelated or separate proceeding or docket before the Authority. The resolution of issues reflected herein is the result of give and take negotiations between the Parties and does not necessarily reflect the position of any single Party on any discrete issue. None of the signatories hereto shall be deemed to have acquiesced in any ratemaking or procedural principle, including without limitation, any cost of service

determination or cost allocation or revenue-related methodology and neither Party waives its right to take positions with respect to the matters settled herein in future proceedings before the Authority. This Stipulation and Agreement shall not have any precedential effect in any future proceeding or bind any of the settling Parties in this or any other jurisdiction except to the extent necessary to implement the provisions hereof.

16. The Parties agree that all pre-filed testimony, discovery responses and exhibits of the Parties (including pre-filed supplemental testimony and exhibits supporting this Stipulation and Settlement Agreement) may be admitted into evidence without objection and the Parties hereby waive their right to cross-examine all witnesses with respect to such pre-filed testimony and exhibits; provided, however, that should questions be asked of such witnesses by any person at the hearing of this matter (including any questions by Directors or Authority staff), the Parties may cross-examine any witness with respect to such questions consistent with the agreements set forth in this Stipulation and Agreement.

17. The provisions of this Stipulation and Settlement Agreement are agreements reached in compromise and settlement and solely for the purpose of resolving this docket without the need for further litigation.

18. The stipulations agreed to in this Stipulation and Settlement Agreement, which are the product of negotiations and substantial communication and compromise between the Parties, are just and reasonable and in the public interest. The Parties jointly recommend that the Authority issue an order adopting this Stipulation and Settlement Agreement in its entirety without modification.

19. In the event the TRA does not accept the Stipulation and Settlement Agreement in whole and as full and final settlement of the issues in this Docket or if the TRA, this Stipulation

and Settlement Agreement shall terminate and the Parties shall not be bound by any position set forth in this Stipulation and Settlement Agreement. In the event the TRA should modify all or any portion of the Stipulation and Agreement, or impose additional conditions and requirements upon the Parties, each Party shall have the right within ten (10) days of the TRA's decision modifying the Stipulation and Settlement Agreement to file a notice of termination or withdrawal from the Stipulation and Settlement Agreement.

20. Should this Stipulation and Settlement Agreement terminate, it will be considered void and have no binding effect, and the signatories to this Stipulation and Settlement Agreement reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Stipulation and Settlement Agreement. The provisions of this Stipulation and Settlement Agreement are not severable.

21. By agreeing to this Stipulation and Settlement Agreement, no Party waives any right to continue litigating this matter should the Stipulation and Settlement Agreement be rejected or modified by the TRA in whole or in part. In such event, the terms of this Agreement shall not be deemed binding upon the Parties and the Agreement shall not be admitted into evidence, or referred to, or relied upon in any manner by any Party.

22. In order to facilitate the execution of this Agreement and to achieve one of the purposes of this Agreement of avoiding the need for further litigation and expenses, TAWC will not file rebuttal testimony that might have otherwise been filed. However, in the event that any Party and/or the TRA require that hearings go forward pursuant to this paragraph, then the Parties agree that all Parties should be permitted to move the TRA for the establishment of a procedural schedule which would permit the Parties to submit evidence and testimony that has not been submitted as a result of reaching this Agreement.

23. No provision of this Stipulation and Settlement Agreement shall be deemed an admission of any Party. No provision of this Stipulation and Settlement Agreement shall be deemed a waiver of any position asserted by a party in this docket.

24. The Parties agree to support this Stipulation and Settlement Agreement in any proceeding before the Authority in this Docket; however, the Parties further agree and request the Authority to order that the settlement of any issue pursuant to this Stipulation and Settlement Agreement shall not be cited by the Parties or any other entity as binding precedent in any other proceeding before the Authority or any court, state or federal.

25. The provisions of this Stipulation and Settlement Agreement do not necessarily reflect the positions asserted by any Party, and no Party to this Stipulation and Settlement Agreement waives the right to assert any position in any future proceeding except as expressly stipulated herein.

26. Approval by the TRA of the provisions of this Stipulation and Settlement Agreement shall not be construed as a waiver of prior TRA rate case and policy decisions.

27. This Stipulation and Settlement Agreement shall be governed by and construed under the laws of the State of Tennessee, notwithstanding conflict of law provisions.

28. The parties agree that this Stipulation and Settlement Agreement constitutes the complete understanding among the parties and any and all oral statements, representations or agreements made prior to the execution of this Stipulation and Settlement Agreement shall be null and void and shall be deemed to have been merged into this Agreement.

29. The signatories to this Stipulation and Settlement Agreement warrant that they have informed, advised and otherwise consulted with the parties for whom they sign regarding the contents and significance of this Stipulation and Settlement Agreement, and, based upon

those communications, the signatories represent they are authorized to execute this Stipulation and Settlement Agreement on behalf of the parties.

30. The parties agree that this Agreement may be executed in multiple counterparts.

The foregoing is agreed and stipulated to this 1st day of October, 2012.

TENNESSEE-AMERICAN WATER COMPANY

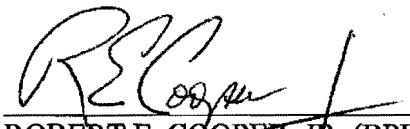
HAVE SEEN AND AGREED:

By: 

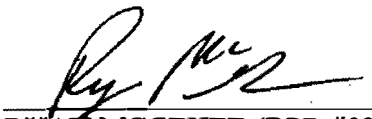
CONSUMER ADVOCATE AND PROTECTION DIVISION

HAVE SEEN AND AGREED.

By:



ROBERT E. COOPER, JR. (BPR #010934)
Attorney General and Reporter
State of Tennessee



RYAN MCGEHEE (BPR #025559)
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202-0207
(615) 532-5512

CITY OF CHATTANOOGA

HAVE SEEN AND AGREED:

By:

w/ permission RLH

FREDERICK L. HITCHCOCK
Chambliss, Bahner & Stophel, PC
1000 Tallan Building
Two Union Square
Chattanooga, Tennessee 37402

w/ permission RLH

MICHAEL A. MCMAHAN
100 E. 11th Street, Suite 200
Chattanooga, TN 37402

TOWN OF SIGNAL MOUNTAIN

HAVE SEEN AND AGREED.

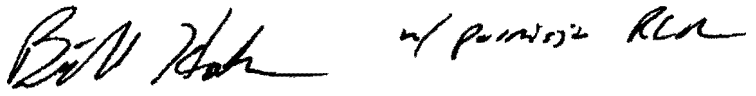
By:

Phillip A. Noblett
Signal Mountain Town Attorney
100 E., 11th Street
Suite 200
Chattanooga, TN 37402

WALDEN'S RIDGE UTILITY DISTRICT

HAVE SEEN AND AGREED.

By:



William H. Horton
Horton, Ballard & Pemerton
735 Broad Street
Suite 306
Chattanooga, TN 37402

CHATTANOOGA REGIONAL MANUFACTURERS ASSOCIATION

HAVE SEEN AND AGREED.

By:

David Higney
Grant, Konvalinka & Harrison, PC
633 Chestnut Street, Suite 900
Chattanooga, TN 37450-0900

Attachment A

Docket 12-00049

Settlement Exhibits

12-00049
Exhibit

TENNESSEE-AMERICAN WATER COMPANY
INDEX TO SCHEDULES
For the 12 Months Ending November 30, 2013

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Results of Operations	1
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12-00049
Exhibit
Schedule 1

TENNESSEE-AMERICAN WATER COMPANY
Results of Operations
For the 12 Months Ending November 30, 2013

Line No.		SETTLEMENT	Company E/	Difference
1	Rate Base	$ 132,015,472 A/	$ 135,820,256	$ -3,804,784
2	Operating Income At Current Rates	6,396,382 B/	4,974,990	1,421,392
3	Earned Rate Of Return	4.85%	3.66%	1.18%
4	Fair Rate Of Return	7.23% C/	8.23%	-1.00%
5	Required Operating Income	9,550,649	11,178,007	-1,627,358
6	Operating Income Deficiency	3,154,266	6,203,017	-3,048,751
7	Gross Revenue Conversion Factor	1.648561 D/	1.720990	-0.072429
8	Revenue Deficiency	$ 5,200,000	$ 10,675,330	$ -5,475,331

A/ CAPD Exhibit, Schedule 2.
B/ CAPD Exhibit, Schedule 7.
C/ CAPD Exhibit, Schedule 14.
D/ CAPD Exhibit, Schedule 15.
E/ Company Exhibit FS-1-Summary Revenue Requirement-GMV.

12-00049
Exhibit
Schedule 2

TENNESSEE-AMERICAN WATER COMPANY
Average Rate Base
For the 12 Months Ending November 30, 2013

Line No.		Test Period A/	Adjustments	Attrition Period B/
	Additions:			
1	Utility Plant In Service	$ 229,163,049	$ 16,429,407	$ 245,592,456
2	Construction Work In Progress	4,131,572	-1,487,673	2,643,899
3	Utility Plant Capital Lease	1,590,500	0	1,590,500
4	Working Capital	3,699,987	-685,356	3,014,631 C/
5	**Total Additions**	$ 238,585,108	$ 14,256,378	$ 252,841,486
	Deductions:			
6	Accumulated Depreciation	$ 73,634,805	$ 7,683,424	$ 81,318,229
7	Accumulated Amortization of Capital Lease	1,440,286	140,018	1,580,304
8	Accumulated Deferred FIT	23,583,334	2,299,906	25,883,240
9	Customer Advances for Construction	4,738,467	767,014	5,505,481
10	Contributions in Aid of Construction	10,611,414	1,554,878	12,166,292
11	Unamortized Investment Tax Credit	25,351	-4,386	20,965
12	Utility Plant Acquisition Adjustment	50,524	0	50,524
13	**Total Deductions**	$ 114,084,181	$ 12,440,854	$ 126,525,035
14	Rate Base	$ 124,500,927	$ 1,815,524	$ 126,316,451

A/ Company Exhibit RB-1-Summary-LCB.
B/ CAPD Rate Base Workpaper RB-1.00.
C/ CAPD Exhibit, Schedule 4.

12-00049
Exhibit
Schedule 3

TENNESSEE-AMERICAN WATER COMPANY
Comparative Rate Base
For the 12 Months Ending November 30, 2013

Line No.		SETTLEMENT A/	Company B/	Difference
	Additions:			
1	Utility Plant in Service	$ 250,455,533	$ 250,455,533	$ 0
2	Construction Work in Progress	3,581,671	3,581,671	0
3	Utility Plant Capital Lease	1,590,500	1,590,500	0
4	Working Capital	3,409,884	3,188,192	221,692
5	Total Additions	$ 259,037,588	$ 258,816,896	$ 221,692
	Deductions:			
6	Accumulated Depreciation	$ 81,011,226	$ 81,011,226	$ 0
7	Accumulated Amortization of Capital Lease	1,576,226	1,576,226	0
8	Accumulated Deferred FIT	26,733,940	23,407,464	3,326,476
9	Customer Advances for Construction	5,173,724	4,473,724	700,000
10	Contributions in Aid of Construction	12,466,115	12,466,115	0
11	Unamortized Investment Tax Credit	20,965	20,965	0
12	Utility Plant Acquisition Adjustment	39,920	39,920	0
13	Total Deductions	$ 127,022,116	$ 122,995,640	$ 4,026,476
14	Rate Base	$ 132,015,472	$ 135,820,256	$ -3,804,784

A/ CAPD Exhibit, Schedule 2.
B/ Company Exhibit RB-1-Summary-LCB.

12-00049
Exhibit
Schedule 4

TENNESSEE-AMERICAN WATER COMPANY
Comparative Working Capital
For the 12 Months Ending November 30, 2013

Line No.		SETTLEMENT A/	Company B/	Difference
1	Prepaid Expenses & Taxes	$ 568,884	$ 577,696	$ -8,812
2	Materials & Supplies	379,905	301,364	78,541
3	Deferred Regulatory Expenses	1,138,715	1,138,715	0
4	Unamortized Debt Expense	885,499	885,503	-4
5	Other Deferred Debits	31,128	31,124	4
6	Incidental Collections	-224,767	-116,192	-108,575
7	Lead/Lag Study	235,267 C/	369,982	-134,715
8	**Working Capital Requirement**	$ 3,014,631	$ 3,188,192	$ -173,561

A/ CAPD Rate Base Workpaper RB-13-1.00.
B/ Company Exhibit RB-8-Working Capital-LCB.
D/ CAPD Exhibit, Schedule 5.

12-00049
Exhibit
Schedule 5

TENNESSEE-AMERICAN WATER COMPANY
Lead Lag Results
For the 12 Months Ending November 30, 2013

Line No.		SETTLEMENT
1	Revenue Lag	44.91 A/
2	Expense Lag	42.52 B/
3	Net Lag	2.39
4	Daily Cost of Service	$ 98,422 B/
5	Lead Lag Study	$ 235,267

A/ CAPD Rate Base Workpaper RB-13-7.00.
B/ Staff Exhibit, Schedule 6.

12-00049
Exhibit
Schedule 6

TENNESSEE-AMERICAN WATER COMPANY
Working Capital Expense Lag
For the 12 Months Ending November 30, 2013

Line No.		Amount A/	Lag B/	Dollar Days
	Operating & Maintenance Expenses:			
1	Labor	$ 5,188,473	12.52	$ 64,944,615
2	Purchased Water	51,331	58.12	2,983,158
3	Fuel & Power	2,678,772	29.22	78,263,003
4	Chemicals	986,930	27.57	27,209,364
5	Waste Disposal	213,308	67.10	14,312,796
6	Management Fees	5,430,920	-10.17	-55,235,172
7	Group Insurance	1,099,313	-6.17	-6,788,038
8	OPEB's	679,589	10.00	6,795,686
9	Pensions	1,317,144	20.41	26,883,172
10	Regulatory Expense	650,315	76.91	50,017,352
11	Insurance Other	365,057	-71.29	-26,023,234
12	Customer Accounting	1,290,266	54.42	70,216,018
13	Rents	8,720	11.37	99,178
14	General Office Expense	281,218	32.83	9,231,543
15	Miscellaneous	2,115,085	35.42	74,907,004
16	Maintenance Expense	1,284,928	42.50	54,610,082
17	Total O&M Expenses	$ 23,641,369	16.60	$ 392,426,528
	Administrative & General Expenses:			
20	Federal Income Tax	2,976,655	89.31	265,859,608
21	Property Taxes	2,757,695	243.74	672,164,440
22	Gross Receipts Tax	807,678	-149.96	-121,117,697
23	Franchise Tax	408,873	33.26	13,600,261
24	Utility Tax	131,826	-94.46	-12,452,284
25	Taxes Other Than Income	404,396	12.00	4,852,752
26	Interest Expense - Long-Term Debt	4,752,041	65.52	311,358,974
27	Interest Expense - Short-Term Debt	41,684	14.76	615,058
28	Preferred Stock	1,868	45.13	84,303
29	Total Administrative & General Expenses	$ 12,282,717	92.40	$ 1,134,965,416
30	Total Lead/Lag Expenses	$ 35,924,086	42.52	$ 1,527,391,944
	Other Expenses:			
31	Depreciation Expense	$ 6,090,861		
32	Amortization Expense	29,307		
33	Net Earnings	1,600,788		
34	Total Other Expenses	$ 7,720,956		
35	Total Cost of Service	$ 43,645,042		
36	Daily Cost Of Service-Based on Lead/Lag Expenses	$ 98,422		

A/ CAPD Exhibit, Schedule 7.
B/ CAPD Rate Base Workpaper RB-13-7.00.

12-00049
Exhibit
Schedule 7

TENNESSEE-AMERICAN WATER COMPANY
Income Statement at Current Rates
For the 12 Months Ending November 30, 2013

Line No.		Test Period A/	Adjustments	Attrition Amount B/
	Operating Revenues:			
1	Water Sales Revenues	$ 41,179,381	$ 694,343	$ 41,873,724 C/
2	Other Revenues	1,550,187	221,131	1,771,318 C/
3	Total Water Revenue	$ 42,729,568	$ 915,474	$ 43,645,042
	Operating & Maintenance Expenses:			
4	Salaries And Wages	$ 5,460,560	$ -272,087	$ 5,188,473
5	Purchased Water	44,212	7,119	51,331
6	Purchased Power	2,738,627	-59,855	2,678,772
7	Chemicals	1,039,055	-52,125	986,930
8	Waste Disposal	204,868	8,440	213,308
9	Support Services	5,081,165	349,755	5,430,920
10	Group Insurance	1,700,927	77,975	1,778,902
11	Pensions	2,872,405	-1,555,261	1,317,144
12	Regulatory Expense	663,237	-12,922	650,315
13	Insurance Other Than Group	348,025	17,032	365,057
14	Customer Accounting	1,256,731	33,535	1,290,266
15	Rents	52,359	-43,639	8,720
16	General Office Expense	319,665	-38,447	281,218
17	Miscellaneous	2,444,361	-329,276	2,115,085
18	Maintenance Expense	976,549	308,379	1,284,928
19	Total Operating & Maintenance Expenses	$ 25,202,746	$ -1,561,377	$ 23,641,369
20	Depreciation Expense	4,615,384	1,475,477	6,090,861 D/
21	Amortization Expense	422,920	-393,613	29,307 E/
22	General Taxes	4,496,448	14,020	4,510,468 F/
23	State Excise Taxes	405,915	-98,056	307,859 G/
24	Federal Income Taxes	1,774,925	893,870	2,668,795 G/
25	Total Operating Expenses	$ 36,918,338	$ 330,322	$ 37,248,660
26	Utility Operating Income	$ 5,811,230	$ 585,152	$ 6,396,382

A/ Company Exhibit FS-2-Income Statement-GMV.
B/ CAPD Expense Workpaper E-REC-1.
C/ CAPD Exhibit, Schedule 9.
D/ CAPD Rate Base Workpaper RB-14-1.00.
E/ CAPD Rate Base Workpaper RB-15-1.00.
F/ CAPD Exhibit, Schedule 10.
G/ CAPD Exhibit, Schedule 11.

12-00049
Exhibit
Schedule 8

TENNESSEE-AMERICAN WATER COMPANY
Comparative Income Statement at Current Rates
For the 12 Months Ending November 30, 2013

Line No.		SETTLEMENT A/	Company B/	Difference
	Operating Revenues:			
1	Water Sales Revenues	$ 41,873,724	$ 41,194,169	$ 679,565
2	Other Revenues	1,771,318	1,648,355	122,963
3	**Total Water Revenue**	$ 43,645,042	$ 42,842,514	$ 802,528
	Operating & Maintenance Expenses:			
4	Salaries And Wages	$ 5,188,473	$ 5,549,827	$ -361,354
5	Purchased Water	51,331	50,159	1,172
6	Purchased Power	2,678,772	2,788,212	-109,440
7	Chemicals	986,930	1,030,128	-43,198
8	Waste Disposal	213,308	208,436	4,872
9	Support Services	5,430,920	5,816,566	-385,646
10	Group Insurance	1,778,902	1,774,436	4,466
11	Pensions	1,317,144	1,620,851	-203,707
12	Regulatory Expense	650,315	626,950	23,365
13	Insurance Other Than Group	365,057	365,057	0
14	Customer Accounting	1,290,266	1,214,752	75,514
15	Rents	8,720	8,374	346
16	General Office Expense	281,218	280,729	489
17	Miscellaneous	2,115,085	2,115,085	0
18	Maintenance Expense	1,284,928	993,557	291,371
19	**Total Operating & Maintenance Expenses**	$ 23,641,369	$ 24,343,119	$ -701,750
20	Depreciation Expense	6,090,861	7,155,805	-1,064,944
21	Amortization Expense	29,307	29,307	0
22	General Taxes	4,510,468	5,009,904	-499,436
23	State Income Taxes	307,859	202,652	105,207
24	Federal Income Taxes	2,668,795	1,126,738	1,542,057
25	**Total Operating Expenses**	$ 37,248,660	$ 37,867,525	$ -618,865
26	**Utility Operating Income**	$ 6,396,382	$ 4,974,989	$ 1,421,393

A/ CAPD Exhibit, Schedule 7.
B/ Company Exhibit FS-2-Income Statement-GMV.

12-00049
Exhibit
Schedule 9

TENNESSEE-AMERICAN WATER COMPANY
Comparative Water Revenue Summary
For the 12 Months Ending November 30, 2013

Line No.	Customer Class	SETTLEMENT A/	Company B/	Difference
1	Residential	$ 17,924,592	$ 17,869,565	$ 55,027
2	Commercial	13,248,477	12,821,743	426,734
3	Industrial	3,788,398	3,789,555	-1,157
4	Other Public Authority	3,236,418	3,139,425	96,993
5	Other Water Utility	1,658,347	1,559,017	99,330
6	Private Fire Service	2,017,492	2,014,854	2,638
7	Total Water Sales Revenue	$ 41,873,724	$ 41,194,159	$ 679,565
8	Other Revenues	1,771,318	1,648,355	122,963
9	Total Revenues	$ 43,645,042	$ 42,842,514	$ 802,528

A/ CAPD Revenue Workpaper R-1.00.
B/ Company Exhibit REV-1-Summary-DJP, Schedule REV-1.1.

12-00049
Exhibit
Schedule 10

TENNESSEE-AMERICAN WATER COMPANY
Taxes Other than Income Income Taxes
For the 12 Months Ending November 30, 2013

Line No.		SETTLEMENT A/	Company B/	Difference
1	Property Taxes	$ 2,757,695	$ 3,209,898	$ -452,203
2	Franchise Tax	408,873	426,290	-17,417
3	Gross Receipts Tax	807,678	808,676	-998
4	TRA Inspection Fee	131,826	134,618	-2,792
5	Payroll Taxes	404,396	430,422	-26,026
6	Total	$ 4,510,468	$ 5,009,904	$ -499,436

A/ CAPD Expense Workpaper T-OTAX-0.
B/ Company Exhibit EXP-18-General Taxes and Fees-LEK.

12-00049
Exhibit
Schedule 11

TENNESSEE-AMERICAN WATER COMPANY
Excise and Income Taxes
For the 12 Months Ending November 30, 2013

Line No.		SETTLEMENT A/
1	**Operating Revenues**	$ 43,645,042
	Operating Expenses:	
2	Salaries And Wages	$ 5,188,473
3	Purchased Water	51,331
4	Purchased Power	2,678,772
5	Chemicals	986,930
6	Waste Disposal	213,308
7	Support Services	5,430,920
8	Group Insurance	1,778,902
9	Pensions	1,317,144
10	Regulatory Expense	650,315
11	Insurance Other Than Group	365,057
12	Customer Accounting	1,280,266
13	Rents	8,720
14	General Office Expense	281,218
15	Miscellaneous	2,115,085
16	Maintenance Expense	1,284,928
17	Depreciation Expense	6,090,861
18	Amortization Expense	29,307
19	General Taxes	4,510,468
20	**Total Operating Expenses**	$ 34,272,005
21	**NOI Before Excise and Income Taxes**	$ 9,373,037
22	AFUDC	-156,984 B/
23	Interest Expense	4,793,726 C/
24	**Pre-tax Book Income**	$ 4,736,295
25	Schedule M Adjustments	3,300,973 D/
26	**Excise Taxable Income**	$ 1,436,322
27	Excise Tax Rate	6.50%
28	**Excise Tax Payable**	$ 93,296
29	Excise Tax - Deferred	214,563
30	**State Excise Tax Expense**	$ 307,859
	Pre-tax Book Income	$ 4,736,295
31	State Excise Tax Expense	307,859
32	Schedule M Adjustments	3,300,973 D/
33	**FIT Taxable Income**	$ 1,127,463
34	FIT Rate	35.00%
35	**Federal Income Tax Payable**	$ 394,612
36	ITC Amortization	76,368 E/
37	FIT - Deferred	1,657,703
38	FAS 109 Regulatory Asset/Liability Amortization	540,112 F/
39	**Federal Income Tax Expense**	$ 2,668,795

A/ CAPD Exhibit, Schedule 7.
B/ CAPD Expense Workpaper E-REC-1.
C/ CAPD Exhibit, Schedule 13.
D/ Company Workpaper Exp 19.1.
E/ CAPD Rate Base Workpaper RB-19-1.00.
F/ Company Workpaper Exp 20.1.

12-00049
Exhibit
Schedule 12

TENNESSEE-AMERICAN WATER COMPANY
Income Statement at Proposed Rates
For the 12 Months Ending November 30, 2013

Line No.		Current Rates A/	Rate Increase B/	Proposed Rates
	Operating Revenues:			
1	Water Sales Revenues	$ 41,873,724	$ 5,200,000	$ 47,073,724
2	Other Revenues	1,771,318	45,037	1,816,355
3	**Total Water Revenue**	$ 43,645,042	$ 5,245,037	$ 48,890,079
	Operating & Maintenance Expenses:			
4	Salaries And Wages	$ 5,188,473	$ 0	$ 5,188,473
5	Purchased Water	51,331	0	51,331
6	Purchased Power	2,678,772	0	2,678,772
7	Chemicals	986,930	0	986,930
8	Waste Disposal	213,308	0	213,308
9	Support Services	5,430,920	0	5,430,920
10	Group Insurance	1,778,902	0	1,778,902
11	Pensions	1,317,144	0	1,317,144
12	Regulatory Expense	650,315	0	650,315
13	Insurance Other Than Group	365,057	0	365,057
14	Customer Accounting	1,290,268	54,966	1,345,234
15	Rents	8,720	0	8,720
16	General Office Expense	281,218	0	281,218
17	Miscellaneous	2,115,085	0	2,115,085
18	Maintenance Expense	1,284,928	0	1,284,928
19	**Total Operating & Maintenance Expenses**	$ 23,641,369	$ 54,966	$ 23,696,337
20	Depreciation Expense	$ 6,090,861	$ 0	$ 6,090,861
21	Amortization Expense	29,307	0	29,307
22	General Taxes	4,510,468	0	4,510,468
23	State Excise Taxes	307,859	337,354	645,214
24	Federal Income Taxes	2,868,795	1,698,450	4,367,246
25	**Total Operating Expenses**	$ 37,248,660	$ 2,090,773	$ 39,339,432
26	**Utility Operating Income**	$ 6,396,382	$ 3,154,264	$ 9,550,647

A/ TRA Exhibit, Schedule 7.
B/ TRA Exhibit, Schedule 1.

12-00049
Exhibit
Schedule 13

TENNESSEE-AMERICAN WATER COMPANY
Rate of Return Summary
For the 12 Months Ending November 30, 2013

Line No.	Class of Capital	SETTLEMENT Percent of Total	Cost Rate A/	Weighted Cost Rate A/
1	Subsidiary Short-Term Debt	2.45%	1.00%	0.0245%
2	Subsidiary Long-Term Debt	52.94%	6.02%	3.1870%
3	Parent Short-Term Debt	0.85%	1.00%	0.0085%
4	Parent Long Term Debt	9.35%	6.15%	0.5750%
5	Parent Preferred	0.03%	4.93%	0.0015%
6	Parent Common Equity	34.38%	10.00%	3.4380%
7	Total	100.00%		7.2346%
	Interest Expense Short-Term Debt			
8	Rate Base			$ 126,316,451 B/
9	Short-Term Weighted Debt Cost			0.0330%
10	**Short-Term Debt Interest Expense**			$ 41,684
	Interest Expense Long-Term Debt			
11	Rate Base			$ 126,316,451 B/
12	Long-Term Weighted Debt Cost			3.7620%
13	**Long-Term Debt Interest Expense**			$ 4,752,041
14	**Total Interest Expense**			$ 4,793,726
15	**Preferred Stock Dividend:**			
	Rate Base			$ 126,316,451 B/
	Preferred Stock Cost Rate			0.0015%
	Preferred Stock Dividend			$ 1,868

A/ Klein Exhibit, Page 2 of 21.
B/ CAPD Exhibit, Schedule 2.

12-00049
Exhibit
Schedule 15

TENNESSEE-AMERICAN WATER COMPANY
Revenue Conversion Factor
For the 12 Months Ending November 30, 2013

Line No.		Amount	Balance
1	Operating Revenues		1.000000
2	Add: Forfeited Discounts	0.008661 A/	0.008661
3	Balance		1.008661
4	Uncollectible Ratio	0.010480 A/	0.010571
5	Balance		0.998090
6	State Excise Tax	0.065000 B/	0.064876
7	Balance		0.933214
8	Federal Income Tax	0.350000 B/	0.326625
9	Balance		0.606589
10	Revenue Conversion Factor (Line 1 / Line 9)		1.648561

A/ CAPD Revenue Workpaper R-OTHER-2.00.
B/ Statutory Rates.

12-00049
CAPD Settlement Exhibit
Schedule 16

TENNESSEE-AMERICAN WATER COMPANY
CAPD Proposed Revenue Change
For the 12 Months Ending November 30, 2013

Line No.		Current Rates A/	Proposed Rates	Revenue Change B/	Percent Change
1	Residential	$ 17,924,592	$ 20,205,423	$ 2,280,831	12.72%
2	Commercial	13,248,477	14,934,291	1,685,814	12.72%
3	Industrial	3,788,398	4,270,456	482,058	12.72%
4	Other Public Authority	3,236,418	3,648,239	411,821	12.72%
5	Other Water Utility	14,297	16,116	1,819	12.72%
	Special Contract				
6	Fort Oglethorpe	434,314	489,579	55,265	12.72%
7	Catoosa County	201,767	227,441	25,674	12.72%
8	Signal Mountain	453,907	453,907	0	0.00%
9	Walden's Ridge	554,062	554,062	0	0.00%
10	Private Fire Service	2,017,492	2,274,210	256,718	12.72%
11	Total Water Sales Revenues	$ 41,873,724	$ 47,073,724	$ 5,200,000	12.42%
12	Other Revenues	1,771,318	1,816,355	45,037	2.54%
13	Total Revenues	$ 43,645,042	$ 48,890,079	5,245,037	12.02%

A/ CAPD Exhibit, Schedule 9.
B/ CAPD Exhibit, Schedule 1.

WHN Consulting
Tennessee-American Water Company
CAPD Rate Design Results

	RESIDENTIAL			COMMERCIAL			INDUSTRIAL			OTHER PUBLIC AUTHORITY			OTHER WATER UTILITY		
	Current	Proposed	Change	Current	Proposed	Change	Current	Proposed	Change	Current	Proposed	Change	Current	Proposed	Change
Monthly Service Charges															
Chattanooga															
5/8"	$12.54	$13.96	$1.42	$12.48	$17.82	$5.34	$13.09	$37.16	$24.07	$12.54	$18.33	$5.79	$12.64	$14.14	$1.50
0.75"	21.07	23.45	2.38	20.93	29.93	9.00	21.99	62.46	40.47	21.07	27.43	6.36	21.07	23.76	2.69
1.00"	35.05	39.01	3.96	34.83	49.81	14.98	36.65	103.85	67.27	35.05	45.63	10.58	35.05	39.52	4.47
1.50"	70.13	78.05	7.92	69.69	99.66	29.97	73.19	207.50	134.51	70.13	91.30	21.17	70.13	79.07	8.94
2.00"	112.20	124.88	12.68	111.49	159.44	47.95	117.10	332.15	215.36	112.20	146.07	33.87	112.20	126.46	14.26
3.00"	210.37	234.12	24.15	209.06	298.98	89.92	219.56	622.80	403.78	210.37	273.88	63.51	210.37	237.18	26.81
4.00"	350.63	390.25	39.62	348.45	498.31	149.86	365.94	1,038.00	672.96	350.63	456.48	105.85	350.63	395.34	44.71
6.00"	701.28	780.50	79.24	696.91	996.64	299.73	731.88	2,077.79	1,345.91	701.28	912.97	211.71	701.28	790.84	89.56
8.00"	1,121.99	1,248.77	126.78	1,115.04	1,594.61	479.57	1,170.99	3,324.43	2,153.44	1,121.99	1,460.71	338.72	1,121.99	1,265.00	143.01
Lookout Mountain															
5/8"	$14.07	$15.66	$1.59	$13.99	$20.01	$6.02	$14.67	$39.64	$25.97	$14.07	$18.32	$4.25	$14.07	$15.86	$1.79
0.75"	21.07	23.45	2.38	20.93	29.93	9.00	21.07	59.52	38.75	21.07	27.43	6.36	21.07	23.76	2.69
1.00"	35.05	39.00	3.95	34.83	49.81	14.98	36.05	99.51	64.46	35.05	45.63	10.63	35.05	39.52	4.47
1.50"	70.13	78.05	7.92	69.69	99.66	29.97	70.13	199.10	128.97	70.13	91.35	21.22	70.13	79.07	8.94
2.00"	112.20	124.88	12.68	111.49	159.43	47.94	112.20	318.53	206.33	112.20	146.06	33.86	112.20	126.50	14.30
3.00"	210.37	234.14	23.77	209.06	298.97	89.91	210.37	597.24	386.87	210.37	273.88	63.51	210.37	237.18	26.81
4.00"	350.63	390.25	39.62	348.45	498.31	149.86	350.63	995.43	644.80	350.63	456.48	105.85	350.63	395.32	44.69
6.00"	701.28	780.50	79.24	696.91	996.64	299.73	701.26	1,990.87	1,289.61	701.28	912.97	211.71	701.28	790.84	89.56
8.00"	1,121.99	1,248.77	126.78	1,115.04	1,594.61	479.57	1,121.99	3,185.32	2,063.33	1,121.99	1,460.71	338.72	1,121.99	1,265.00	143.01
Lakeview															
5/8"	$14.07	$15.66	$1.59	$13.99	$20.01	$6.02	$14.07	$39.64	$25.57	$14.07	$18.30	$4.23	$14.07	$15.86	$1.79
0.75"	21.07	23.45	2.38	20.93	29.93	9.00	21.07	59.52	38.75	21.07	27.43	6.36	21.07	23.76	2.69
1.00"	35.05	39.00	3.95	34.83	49.81	14.98	35.05	99.51	64.46	35.05	45.68	10.63	35.05	39.52	4.47
1.50"	70.13	78.05	7.92	69.69	99.66	29.97	70.13	199.10	128.97	70.13	91.35	21.22	70.13	79.07	8.94
2.00"	112.20	124.88	12.68	111.49	159.43	47.94	112.20	318.53	206.33	112.20	146.06	33.86	112.20	126.50	14.30
3.00"	210.37	234.14	23.77	209.06	298.97	89.91	210.37	597.24	386.87	210.37	273.88	63.51	210.37	237.18	26.81
4.00"	350.63	390.25	39.62	348.45	498.31	149.86	350.63	995.43	644.80	350.63	456.48	105.85	350.63	395.32	44.69
6.00"	701.28	780.50	79.24	696.91	996.64	299.73	701.26	1,990.87	1,289.61	701.28	912.97	211.71	701.28	790.84	89.56
8.00"	1,121.99	1,248.77	126.78	1,115.04	1,594.61	479.57	1,121.99	3,185.32	2,063.33	1,121.99	1,460.71	338.72	1,121.99	1,265.00	143.01
Lone Oak															
All Meter Sizes	$37.78	$42.03	$4.27	$37.53	$53.69	$16.16									
Buck Creek															
All Meter Sizes	$27.49	$30.60	$3.11	$27.31	$39.06	$11.75									
Consumption Charges															
Chattanooga															
0 - 4 CCF per Month	$0.2330	$0.2967	$0.0337	$0.2320	$0.2360	$0.0040	$0.2430	$0.2462	$0.0032	$0.2330	$0.2517	$0.0187	$0.2330	$0.2330	$0.0000
4 - 65 CCF per Month	3.6980	4.2303	0.5345	3.6730	3.7365	0.0635	3.8570	3.9093	0.0523	3.6980	3.9934	0.2974	3.6980	3.6980	0.0000
65 - 500 CCF per Month	2.3220	2.6577	0.3357	2.3080	2.3479	0.0399	2.4240	2.4569	0.0329	2.3220	2.5048	0.1868	2.3220	2.3220	0.0000
500 - 5,000 CCF per Month	1.7350	1.9870	0.2510	1.7250	1.7548	0.0298	1.7120	1.7352	0.0232	1.7350	1.8757	0.1397	1.7350	1.7350	0.0000
5,000 - 15,000 CCF per Month	1.3270	1.5189	0.1918	1.3180	1.3408	0.0228	1.3060	1.3237	0.0177	1.3270	1.4338	0.1068	1.3270	1.3270	0.0000
Over 15,000 CCF per Month	0.7683	0.9018	0.1139	0.7630	0.7966	0.0136	0.7760	0.7866	0.0106	0.7680	0.8614	0.0934	0.7680	0.7680	0.0000
Lookout Mountain															
0 - 4 CCF per Month	$0.8690	$0.8535	$0.1255	$0.8620	$0.8769	$0.0149	$0.8885	$0.8726	$0.0116	$0.8690	$0.9393	$0.0703	$0.8690	$0.8690	$0.0000
4 - 65 CCF per Month	4.7610	5.4492	0.6882	4.7310	4.8128	0.0818	4.7810	4.8256	0.0446	4.7610	5.1440	0.3830	4.7610	4.7610	0.0000
65 - 500 CCF per Month	3.3870	3.8798	0.4898	3.3680	3.4242	0.0562	3.3870	3.4330	0.0460	3.3870	3.6598	0.2728	3.3870	3.3870	0.0000
500 - 5,000 CCF per Month	2.3680	2.7085	0.3385	2.3530	2.3937	0.0407	2.3880	2.4001	0.0321	2.3680	2.5586	0.1906	2.3680	2.3680	0.0000
5,000 - 15,000 CCF per Month	1.8600	2.1433	0.2833	1.8490	1.8827	0.0337	1.8600	1.8689	0.0266	1.8600	2.1177	0.1577	1.8600	1.8600	0.0000
Over 15,000 CCF per Month	1.4210	1.6264	0.2054	1.4120	1.4364	0.0244	1.4210	1.4403	0.0193	1.4210	1.5353	0.1143	1.4210	1.4210	0.0000
Lakeview															
0 - 4 CCF per Month	$0.4290	$0.4916	$0.0626	$0.4250	$0.4324	$0.0074	$0.4290	$0.4346	$0.0056	$0.4290	$0.4623	$0.0333	$0.4290	$0.4290	$0.0000
4 - 65 CCF per Month	4.6730	4.8618	0.5888	4.6460	4.7178	0.0999	4.6730	4.7283	0.0553	4.6730	4.9004	0.3274	4.6730	4.6730	0.0000
65 - 500 CCF per Month	2.8990	3.0893	0.3903	2.8830	2.9294	0.0464	2.8990	2.9356	0.0366	2.8990	3.0163	0.2173	2.8990	2.8990	0.0000
500 - 5,000 CCF per Month	1.9290	2.2078	0.2788	1.9180	1.9513	0.0333	1.9290	1.9552	0.0262	1.9290	2.0842	0.1552	1.9290	1.9290	0.0000
5,000 - 15,000 CCF per Month	1.5210	1.7409	0.2199	1.5120	1.5381	0.0261	1.5210	1.5416	0.0206	1.5210	1.6434	0.1224	1.5210	1.5210	0.0000
Over 15,000 CCF per Month	0.9820	1.1240	0.1420	0.9750	0.9918	0.0168	0.9820	0.9953	0.0133	0.9860	1.0610	0.0750	0.9820	0.9820	0.0000
Lone Oak															
0 - 2.67 CCF per Month	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000									
Over 2.67 CCF per Month	4.7483	5.4346	0.6863	4.7183	4.8183	0.0980									
Buck Creek															
0 - 2.000 CCF per Month	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000									
Next 10.667 CCF per Month	3.9690	4.5427	0.5737	3.9460	4.0045	0.0853									
Over 12.667 CCF per Month	2.8770	3.4072	0.4302	2.8580	3.0100	0.0620									

SPECIAL CONTRACT			PRIVATE FIRE SERVICE			
Customer	Current	Proposed	Meter Size	Current	Proposed	Change
Fort Oglethorpe	$0.9359	$1.0543	1"	$32.66	$36.80	
Gibbons Country	1.0780	1.2152	1-1/2"	73.87	83.01	
Signal Mountain	1.0344	1.0344	2"	181.03	147.83	
Walden's Ridge	1.2180	1.2180	2-1/2"	169.79	228.15	
			3"	284.50	321.84	
			4"	556.75	684.53	
			6"	1,178.58	1,328.00	
			8"	2,068.11	2,668.23	
			10"	3,638.82	3,987.64	
			12"	4,718.98	5,317.30	

WHN Consulting
Tennessee-American Water Company
CAPD Proposed Residential Rate Design Calculation

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Line No.	Consumer Advocate	Bills/Volumes	Tariff Rate	Current Revenue	Revenue Change	Proposed Revenue	Percentage Change	Proposed Rates	Tariff Rate Change
	Monthly Service Charges:								
	Chattanooga:								
1	5/8"	720,896	$12.54	$9,040,037	$1,021,447	$10,061,484	11.30%	$13.96	$1.42
2	0.75"	1,031	21.07	21,715	2,454	24,169	11.30%	23.45	$2.38
3	1.00"	1,783	35.05	62,488	7,061	69,549	11.30%	39.01	$3.96
4	1.50"	178	70.13	12,482	1,408	13,870	11.30%	78.05	$7.92
5	2.00"	82	112.20	9,158	1,035	10,191	11.30%	124.88	$12.68
6	3.00"	1	210.37	295	33	328	11.30%	234.52	$24.15
7	4.00"	0	350.63	0	0	0	0.00%	390.26	$39.62
8	6.00"	0	701.26	0	0	0	0.00%	780.50	$79.24
9	8.00"	0	1,121.99	0	0	0	0.00%	1,248.77	$126.78
10	Total	723,970		$9,146,153	$1,033,437	$10,179,590	11.30%		
	Lookout Mountain:								
11	5/8"	20,941	$14.07	$294,634	$33,291	$327,925	11.30%	$15.66	
12	0.75"	501	21.07	10,557	1,193	11,750	11.30%	23.45	
13	1.00"	1,429	35.05	50,072	5,658	55,730	11.30%	39.01	
14	1.50"	24	70.13	1,683	190	1,873	11.30%	78.05	
15	2.00"	24	112.20	2,693	304	2,997	11.30%	124.88	
16	3.00"	0	210.37	0	0	0	0.00%	234.14	
17	4.00"	0	350.83	0	0	0	0.00%	390.25	
18	6.00"	0	701.26	0	0	0	0.00%	780.50	
19	8.00"	0	1,121.99	0	0	0	0.00%	1,248.77	
20	Total	22,918		$359,639	$40,636	$400,275	11.30%		
	Lakeview								
21	5/8"	32,834	$14.07	$461,970	$52,199	$514,169	11.30%	$15.66	
22	0.75"	0	21.07	0	0	0	0.00%	23.45	
23	1.00"	34	35.05	1,203	136	1,339	11.30%	39.00	
24	1.50"	0	70.13	0	0	0	0.00%	78.05	
25	2.00"	0	112.20	0	0	0	0.00%	124.88	
26	3.00"	0	210.37	0	0	0	0.00%	234.14	
27	4.00"	0	350.63	0	0	0	0.00%	390.25	
28	6.00"	0	701.26	0	0	0	0.00%	780.50	
29	8.00"	0	1,121.99	0	0	0	0.00%	1,248.77	
30	Total	32,868		$463,173	$52,335	$515,508	11.30%		
	Lone Oak:								
31	All Meter Sizes	1,461	$37.78	$55,159	$6,232	$61,391	11.30%	$42.03	
32	Total	1,461		$55,159	$6,232	$61,391	11.30%		
	Suck Creek:								
33	All Meter Sizes	2,503	$27.49	$68,809	$7,775	$76,584	11.30%	$30.60	
34	Total	2,503		$68,809	$7,775	$76,584	11.30%		
36	TOTAL MONTHLY SERVICE CHAF	783,720		$10,092,933	$1,140,415	$11,233,348	11.30%		
					$1,140,415	$11,233,348	11.30%		

	Consumption Charges:							
	Chattanooga:							
36	0 - 4 CCF per Month	2,218,038	$0.2330	$516,801	$74,708	$591,507	14.46%	$0.2667
37	4 - 65 CCF per Month	1,607,092	3.6960	5,939,811	858,630	6,798,441	14.46%	4.2309
38	65 - 500 CCF per Month	67,912	2.3220	157,692	22,795	180,487	14.46%	2.6577
39	500 - 5,000 CCF per Mon	6,893	1.7360	11,967	1,730	13,697	14.46%	1.9870
40	5,000 - 15,000 CCF per M	0	1.3270	0	0	0	0.00%	1.5188
41	Over 15,000 CCF per Mo	0	0.7680	0	0	0	0.00%	0.9019
42	Total	3,899,929		$6,626,271	$957,861	$7,584,132	14.46%	
					$957,861			
	Lookout Mountain:							
43	0 - 4 CCF per Month	75,406	$0.8680	$65,452	$9,461	$74,913	14.46%	$0.9936
44	4 - 65 CCF per Month	158,082	4.7610	724,063	104,667	828,730	14.46%	5.4492
45	65 - 500 CCF per Month	21,720	3.3870	73,667	10,634	84,201	14.46%	3.8756
46	500 - 5,000 CCF per Mon	85	2.3660	201	29	230	14.46%	2.7065
47	5,000 - 15,000 CCF per M	0	1.9600	0	0	0	0.00%	2.2433
48	Over 15,000 CCF per Mo	0	1.4210	0	0	0	0.00%	1.6264
49	Total	249,293		$863,283	$124,792	$988,075	14.46%	
	Lakeview							
50	0 - 4 CCF per Month	104,918	$0.4290	$45,009	$6,506	$51,515	14.46%	$0.4910
51	4 - 65 CCF per Month	70,666	4.0730	287,825	41,607	329,432	14.46%	4.6618
52	65 - 500 CCF per Month	1,519	2.6990	4,100	593	4,693	14.46%	3.0893
53	500 - 5,000 CCF per Mon	0	1.9290	0	0	0	0.00%	2.2078
54	5,000 - 15,000 CCF per M	0	1.5210	0	0	0	0.00%	1.7409
55	Over 15,000 CCF per Mo	0	0.9820	0	0	0	0.00%	1.1240
56	Total	177,102		$336,934	$48,706	$385,640	14.46%	
	Lone Oak:							
57	0 - 2.67 CCF per Month	3,308	$0.0000	$0	$0	$0	0.00%	$0.0000
58	Over 2.67 CCF per Month	4,969	4.7483	23,594	3,411	$27,005	14.46%	5.4348
59	Total	8,277		$23,594	$3,411	$27,005	14.46%	
	Suck Creek:							
60	0 - 2.000 CCF per Month	4,638	$0.0000	$0	$0	$0	0.00%	$0.0000
61	Next 10.667 CCF per Mor	8,884	3.9690	34,465	4,982	$39,447	14.46%	4.5427
62	Over 12.667 CCF per Mo	1,543	2.9770	4,593	664	$5,257	14.46%	3.4072
63	Total	14,864		$39,058	$5,646	$44,704	14.46%	
64	**TOTAL CONSUMPTION CHARGES**	4,349,465		$7,889,140	$1,140,415	$9,029,555	14.46%	
					$1,140,415	$9,029,555	14.46%	
	Billing Credits:							
65	Chattanooga			-$47,196	0	-$47,196	0.00%	
66	Lookout Mountain			-7,812	0	-$7,812	0.00%	
67	Lakeview			-1,624	0	-$1,624	0.00%	
68	Lone Oak			-538	0	-$538	0.00%	
69	Suck Creek			-311	0	-$311	0.00%	
70	TOTAL BILLING CREDITS			-$57,481	$0	-$57,481	0.00%	
71		Total Residential Revenue		$17,924,582	$2,280,831	$20,205,423	12.72%	
					$2,280,831	$20,205,423	12.72%	

WHN Consulting
Tennessee-American Water Company
CAPD Proposed Commercial Rate Design Calculation

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Line No.	Consumer Advocate	Bills/Volumes	Tariff Rate	Current Revenue	Revenue Change	Proposed Revenue	Percentage Change	Proposed Rates	Tariff Rate Change
	Monthly Service Charges:								
	Chattanooga:								
1	5/8"	60,019	$12.46	$747,839	$321,638	$1,069,477	43.01%	$17.82	$5.38
2	0.75"	1,551	20.93	32,468	13,963	46,429	43.01%	29.93	$9.00
3	1.00"	17,134	34.83	596,766	256,663	853,429	43.01%	49.81	$14.98
4	1.50"	4,389	69.69	305,900	131,564	437,464	43.01%	99.66	$29.97
5	2.00"	12,747	111.49	1,421,159	611,225	2,032,384	43.01%	159.44	$47.95
6	3.00"	503	209.06	105,149	45,223	150,372	43.01%	298.98	$89.92
7	4.00"	300	348.45	104,558	44,969	149,527	43.01%	498.31	$149.86
8	6.00"	166	696.91	115,478	49,666	165,144	43.01%	996.64	$299.73
9	8.00"	24	1,115.04	26,761	11,510	38,271	43.01%	1,594.61	$479.57
10	Total	96,833		$3,466,076	$1,486,422	$4,942,498	43.01%		
	Lookout Mountain:								
11	5/8"	642	$13.99	$8,979	$3,862	$12,841	43.01%	$20.01	
12	0.75"	24	20.93	502	216	718	43.01%	29.91	
13	1.00"	212	34.83	7,389	3,169	10,538	43.01%	49.81	
14	1.50"	48	69.69	3,345	1,439	4,784	43.01%	99.66	
15	2.00"	94	111.49	10,510	4,520	15,030	43.01%	159.44	
16	3.00"	0	209.06	0	0	0	0.00%	298.97	
17	4.00"	0	348.45	0	0	0	0.00%	498.31	
18	6.00"	0	696.91	0	0	0	0.00%	996.64	
19	8.00"	0	1,115.04	0	0	0	0.00%	1,594.61	
20	Total	1,020		$30,705	$13,206	$43,911	43.01%		
	Lakeview								
21	5/8"	1,558	$13.99	$21,803	$9,377	$31,180	43.01%	$20.01	
22	0.75"	0	20.93	0	0	0	0.00%	29.93	
23	1.00"	216	34.83	7,529	3,238	10,767	43.01%	49.81	
24	1.50"	0	69.69	0	0	0	0.00%	99.66	
25	2.00"	84	111.49	9,390	4,039	13,429	43.01%	159.43	
26	3.00"	0	209.06	0	0	0	0.00%	298.97	
27	4.00"	0	348.45	0	0	0	0.00%	498.31	
28	6.00"	0	696.91	0	0	0	0.00%	996.64	
29	8.00"	0	1,115.04	0	0	0	0.00%	1,594.61	
30	Total	1,859		$38,722	$16,654	$55,376	43.01%		

	Lone Oak:							
31	All Meter Sizes	24	$37.53	$901	$388	$1,289	43.01%	$53.69
32	**Total**	24		$901	$388	$1,289	43.01%	
	Suck Creek:							
33	All Meter Sizes	48	$27.31	$1,311	$564	$1,875	43.01%	$39.06
34	**Total**	48		$1,311	$564	$1,875	43.01%	
35	**TOTAL MONTHLY SERVICE CHARGE**	99,784		$3,627,715	$1,517,233	$5,044,948	43.01%	
					$1,517,233	$5,044,948	43.01%	
	Consumption Charges:							
	Chattanooga:							
36	0 - 4 CCF per Month	256,091	$0.2320	$59,413	$1,027	$60,440	1.73%	$0.2360
37	4 - 65 CCF per Month	1,182,743	3.6730	4,344,214	75,068	4,419,282	1.73%	3.7365
38	65 - 500 CCF per Month	1,818,092	2.3080	3,734,556	64,533	3,799,089	1.73%	2.3479
39	500 - 5,000 CCF per Month	796,178	1.7250	1,373,408	23,732	1,397,140	1.73%	1.7548
40	5,000 - 15,000 CCF per Month	8,256	1.3180	10,882	188	11,070	1.73%	1.3408
41	Over 15,000 CCF per Month	2,774	0.7630	2,172	38	2,210	1.73%	0.7965
42	**Total**	3,864,136		$9,524,645	$164,586	$9,689,231	1.73%	
					$164,586			
	Lookout Mountain:							
43	0 - 4 CCF per Month	2,797	$0.8620	$2,411	$42	$2,453	1.73%	$0.8789
44	4 - 65 CCF per Month	16,028	4.7310	75,827	1,310	77,137	1.73%	4.8128
45	65 - 500 CCF per Month	17,539	3.3660	59,037	1,020	60,057	1.73%	3.4242
46	500 - 5,000 CCF per Month	9,498	2.3530	22,350	386	22,736	1.73%	2.3937
47	5,000 - 15,000 CCF per Month	0	1.9490	0	0	0	0.00%	1.9827
48	Over 15,000 CCF per Month	0	1.4120	0	0	0	0.00%	1.4364
49	**Total**	45,662		$159,625	$2,758	$162,383	1.73%	
	Lakeview							
50	0 - 4 CCF per Month	4,701	$0.4260	$1,998	$35	$2,033	1.73%	$0.4324
51	4 - 65 CCF per Month	11,826	4.0480	47,870	827	48,897	1.73%	4.1179
52	65 - 500 CCF per Month	6,698	2.6830	17,966	310	18,276	1.73%	2.7294
53	500 - 5,000 CCF per Month	1,818	1.9180	3,103	54	3,157	1.73%	1.9513
54	5,000 - 15,000 CCF per Month	0	1.5120	0	0	0	0.00%	1.5381
55	Over 15,000 CCF per Month	0	0.9750	0	0	0	0.00%	0.9918
56	**Total**	24,840		$70,937	$1,226	$72,163	1.73%	
	Lone Oak:							

57	0 - 2.67 CCF per Month	30	$0.0000	$0	$0	$0	0.00%	$0.0000
58	Over 2.67 CCF per Month	16	4.7183	74	1	$75	1.73%	4.8163
59	Total	46		$74	$1	$75	1.73%	
	Suck Creek:							
60	0 - 2.000 CCF per Month	25	$0.0000	$0	$0	$0	0.00%	$0.0000
61	Next 10.667 CCF per Month	21	3.9450	84	1	$85	1.73%	4.0043
62	Over 12.667 CCF per Month	170	2.9580	502	9	$511	1.73%	3.0100
63	Total	216		$586	$10	$596	1.73%	
64	**TOTAL CONSUMPTION CHARGES**	3,935,099		$9,755,867	$168,581	$9,924,448	1.73%	
					$168,581	$9,924,448	1.73%	
	Billing Credits:							
65	Chattanooga			-$31,673	0	-$31,673	0.00%	
66	Lookout Mountain			-404	0	-$404	0.00%	
67	Lakeview			-2,774	0	-$2,774	0.00%	
68	Lone Oak			0	0	$0	0.00%	
69	Suck Creek			-254	0	-$254	0.00%	
70	**TOTAL BILLING CREDITS**			-$35,105	$0	-$35,106	0.00%	
71		**Total Commercial Revenue**		$13,248,477	$1,685,814	$14,934,291	12.72%	
					$1,685,814	$14,934,291	12.72%	

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CAPD Proposed Industrial Rate Design Calculation

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Line No.	Consumer Advocate	Bills/Volumes	Tariff Rate	Current Revenue	Revenue Change	Proposed Revenue	Percentage Change	Proposed Rates	Tariff Rate Change
	Monthly Service Charges:								
	Chattanooga:								
1	5/8"	256	$13.09	$3,351	$6,162	$9,513	183.90%	$37.18	$24.07
2	0.75"	24	21.99	528	971	1,499	183.90%	62.46	$40.47
3	1.00"	251	38.58	9,186	16,893	26,079	183.90%	103.85	$67.27
4	1.50"	72	73.19	5,270	9,691	14,961	183.90%	207.80	$134.61
5	2.00"	959	117.10	112,314	206,544	318,858	183.90%	332.45	$215.35
6	3.00"	0	219.55	0	0	0	0.00%	623.30	$403.75
7	4.00"	192	365.94	70,140	128,987	199,127	183.90%	1,038.90	$672.96
8	6.00"	48	731.88	35,130	64,604	99,734	183.90%	2,077.79	$1,345.91
9	8.00"	0	1,170.99	0	0	0	0.00%	3,324.43	$2,153.44
10	**Total**	**1,802**		**$235,819**	**$433,852**	**$669,771**	**183.90%**		
	Lookout Mountain:								
11	5/8"	0	$14.07	$0	$0	$0	0.00%	$39.94	
12	0.75"	0	21.07	0	0	0	0.00%	59.82	
13	1.00"	0	35.05	0	0	0	0.00%	99.51	
14	1.50"	0	70.13	0	0	0	0.00%	199.10	
15	2.00"	0	112.20	0	0	0	0.00%	318.53	
16	3.00"	0	210.37	0	0	0	0.00%	597.24	
17	4.00"	0	350.63	0	0	0	0.00%	995.43	
18	6.00"	0	701.26	0	0	0	0.00%	1,990.87	
19	8.00"	0	1,121.99	0	0	0	0.00%	3,185.32	
20	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**		
	Lakeview								
21	5/8"	0	$14.07	$0	$0	$0	0.00%	$39.94	
22	0.75"	0	21.07	0	0	0	0.00%	59.82	
23	1.00"	0	35.05	0	0	0	0.00%	99.51	
24	1.50"	0	70.13	0	0	0	0.00%	199.10	
25	2.00"	0	112.20	0	0	0	0.00%	318.53	
26	3.00"	0	210.37	0	0	0	0.00%	597.24	
27	4.00"	0	350.63	0	0	0	0.00%	995.43	
28	6.00"	0	701.26	0	0	0	0.00%	1,990.87	
29	8.00"	0	1,121.99	0	0	0	0.00%	3,185.32	
30	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**		

	Lone Oak:							
31	All Meter Sizes	0	$0.00	$0	$0	$0	0.00%	$0.00
32	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**	
	Suck Creek:							
33	All Meter Sizes	0	$0.00	$0	$0	$0	0.00%	$0.00
34	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**	
35	**TOTAL MONTHLY SERVICE CHARGI**	**1,802**		**$235,919**	**$433,852**	**$669,771**	**183.90%**	
					$433,852	**$669,771**	**183.90%**	
	Consumption Charges:							
	Chattanooga:							
36	0 - 4 CCF per Month	4,776	$0.2430	$1,160	$16	$1,176	1.36%	$0.2462
37	4 - 65 CCF per Month	49,931	3.8570	192,582	2,613	195,195	1.36%	3.9093
38	65 - 500 CCF per Month	229,686	2.4240	556,758	7,554	564,312	1.36%	2.4569
39	500 - 5,000 CCF per Month	807,928	1.7120	1,383,172	18,767	1,401,939	1.36%	1.7352
40	5,000 - 15,000 CCF per Mon	705,345	1.3080	922,591	12,518	935,109	1.36%	1.3257
41	Over 15,000 CCF per Month	638,276	0.7780	496,579	6,738	503,317	1.36%	0.7886
42	**Total**	**2,436,840**		**$3,552,842**	**$48,206**	**$3,601,048**	**1.36%**	
					$48,206			
	Lookout Mountain:							
43	0 - 4 CCF per Month	0	$0.8680	$0	$0	$0	0.00%	$0.8798
44	4 - 65 CCF per Month	0	4.7610	0	0	0	0.00%	4.8256
45	65 - 500 CCF per Month	0	3.3870	0	0	0	0.00%	3.4330
46	500 - 5,000 CCF per Month	0	2.3680	0	0	0	0.00%	2.4001
47	5,000 - 15,000 CCF per Mon	0	1.9600	0	0	0	0.00%	1.9866
48	Over 15,000 CCF per Month	0	1.4210	0	0	0	0.00%	1.4403
49	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**	
	Lakeview							
50	0 - 4 CCF per Month	0	$0.4290	$0	$0	$0	0.00%	$0.4348
51	4 - 65 CCF per Month	0	4.0730	0	0	0	0.00%	4.1283
52	65 - 500 CCF per Month	0	2.6990	0	0	0	0.00%	2.7356
53	500 - 5,000 CCF per Month	0	1.9290	0	0	0	0.00%	1.9552
54	5,000 - 15,000 CCF per Mon	0	1.5210	0	0	0	0.00%	1.5416
55	Over 15,000 CCF per Month	0	0.9820	0	0	0	0.00%	0.9953
56	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**	

Lone Oak:

57	0 - 2.67 CCF per Month	0	$0.0000	$0	$0	$0	0.00%	$0.0000
58	Over 2.67 CCF per Month	0	0.0000	0	0	$0	0.00%	0.0000
59	Total	0		$0	$0	$0	0.00%	
	Suck Creek:							
60	0 - 2.000 CCF per Month	0	$0.0000	$0	$0	$0	0.00%	$0.0000
61	Next 10.667 CCF per Month	0	0.0000	0	0	$0	0.00%	0.0000
62	Over 12.667 CCF per Month	0	0.0000	0	0	$0	0.00%	0.0000
63	Total	0		$0	$0	$0	0.00%	
64	**TOTAL CONSUMPTION CHARGES**	2,435,940		$3,552,842	$48,206	$3,601,048	1.36%	
					$48,206	$3,601,048	1.36%	
	Billing Credits:							
65	Chattanooga			-$363	0	-$363	0.00%	
66	Lookout Mountain			0	0	$0	0.00%	
67	Lakeview			0	0	$0	0.00%	
68	Lone Oak			0	0	$0	0.00%	
69	Suck Creek			0	0	$0	0.00%	
70	TOTAL BILLING CREDITS			-$363	$0	-$363	0.00%	
71		**Total Industrial Revenue**		$3,788,398	$482,058	$4,270,456	12.72%	
					$482,058	$4,270,456	12.72%	

WHN Consulting
Tennessee-American Water Company
CAPD Proposed Other Public Authority Rate Design Calculation

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Line No.	Consumer Advocate	Bills/Volumes	Tariff Rate	Current Revenue	Revenue Change	Proposed Revenue	Percentage Change	Proposed Rates	Tariff Rate Change
	Monthly Service Charges:								
	Chattanooga:								
1	5/8"	1,983	$12.54	$24,872	$7,509	$32,381	30.19%	$16.33	3.7855
2	0.75"	144	21.07	3,038	917	3,955	30.19%	27.43	6.3644
3	1.00"	1,521	35.05	53,298	16,090	89,388	30.19%	45.63	10.5814
4	1.50"	826	70.13	57,895	17,478	75,373	30.19%	91.30	21.1722
5	2.00"	3,450	112.20	387,044	116,847	503,891	30.19%	146.07	33.8727
6	3.00"	102	210.37	21,369	6,451	27,820	30.19%	273.88	63.5138
7	4.00"	252	350.63	88,383	26,682	115,065	30.19%	456.48	105.8520
8	6.00"	36	701.26	26,339	7,650	32,989	30.19%	912.97	211.7120
9	8.00"	0	1,121.99	0	0	0	0.00%	1,460.71	338.7236
10	**Total**	**8,313**		**$661,238**	**$199,625**	**$860,863**	**30.19%**		
	Lookout Mountain:								
11	5/8"	169	$14.07	$2,371	$716	$3,087	30.19%	$18.32	
12	0.75"	12	21.07	253	76	329	30.19%	27.45	
13	1.00"	132	35.05	4,633	1,399	6,032	30.19%	45.64	
14	1.50"	12	70.13	842	254	1,096	30.19%	91.35	
15	2.00"	72	112.20	8,078	2,439	10,517	30.19%	146.07	
16	3.00"	0	210.37	0	0	0	0.00%	273.88	
17	4.00"	0	350.63	0	0	0	0.00%	456.48	
18	6.00"	0	701.26	0	0	0	0.00%	912.97	
19	8.00"	0	1,121.99	0	0	0	0.00%	1,460.71	
20	**Total**	**397**		**$16,177**	**$4,884**	**$21,061**	**30.19%**		
	Lakeview								
21	5/8"	49	$14.07	$868	$208	$896	30.19%	$18.30	
22	0.75"	0	21.07	0	0	0	0.00%	27.43	
23	1.00"	12	35.05	421	127	548	30.19%	45.68	
24	1.50"	12	70.13	842	254	1,096	30.19%	91.35	
25	2.00"	24	112.20	2,693	813	3,506	30.19%	146.08	
26	3.00"	0	210.37	0	0	0	0.00%	273.88	
27	4.00"	0	350.63	0	0	0	0.00%	456.48	
28	6.00"	0	701.26	0	0	0	0.00%	912.97	
29	8.00"	0	1,121.99	0	0	0	0.00%	1,460.71	
30	**Total**	**97**		**$4,644**	**$1,402**	**$6,046**	**30.19%**		

	Lone Oak:							
31	All Meter Sizes	0	$0.00	$0	$0	$0	0.00%	$0.00
32	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**	
	Suck Creek:							
33	All Meter Sizes	0	$0.00	$0	$0	$0	0.00%	$0.00
34	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**	
35	**TOTAL MONTHLY SERVICE CHARGE**	**8,807**		**$682,059**	**$205,910**	**$887,969**	**30.19%**	
					$205,910	**$887,969**	**30.19%**	
	Consumption Charges:							
	Chattanooga:							
36	0 - 4 CCF per Month	21,937	$0.2330	$5,111	$411	$5,522	8.05%	$0.2517
37	4 - 65 CCF per Month	167,015	3.6960	617,288	49,662	666,950	8.05%	3.9934
38	65 - 500 CCF per Month	376,031	2.3220	873,145	70,246	943,391	8.05%	2.5088
39	500 - 5,000 CCF per Month	524,948	1.7360	911,306	73,316	984,622	8.05%	1.8757
40	5,000 - 15,000 CCF per Mont	77,572	1.3270	102,938	8,282	111,220	8.05%	1.4338
41	Over 15,000 CCF per Month	0	0.7880	0	0	0	0.00%	0.8514
42	**Total**	**1,167,502**		**$2,509,788**	**$201,917**	**$2,711,705**	**8.05%**	
					$201,917			
	Lookout Mountain:							
43	0 - 4 CCF per Month	935	$0.8680	$812	$65	$877	8.05%	$0.9383
44	4 - 65 CCF per Month	5,971	4.7610	28,427	2,287	30,714	8.05%	5.1440
45	65 - 500 CCF per Month	2,835	3.3870	9,603	773	10,376	8.05%	3.6596
46	500 - 5,000 CCF per Month	0	2.3680	0	0	0	0.00%	2.5585
47	5,000 - 15,000 CCF per Mont	0	1.9600	0	0	0	0.00%	2.1177
48	Over 15,000 CCF per Month	0	1.4210	0	0	0	0.00%	1.5353
49	**Total**	**9,741**		**$38,842**	**$3,125**	**$41,967**	**8.05%**	
	Lakeview							
50	0 - 4 CCF per Month	194	$0.4290	$83	$7	$90	8.05%	$0.4623
51	4 - 65 CCF per Month	1,594	4.0730	6,492	522	7,014	8.05%	4.4004
52	65 - 500 CCF per Month	1,562	2.6990	4,216	339	4,555	8.05%	2.9163
53	500 - 5,000 CCF per Month	0	1.9290	0	0	0	0.00%	2.0842
54	5,000 - 15,000 CCF per Mont	0	1.5210	0	0	0	0.00%	1.6434
55	Over 15,000 CCF per Month	0	0.9820	0	0	0	0.00%	1.0610
56	**Total**	**3,350**		**$10,791**	**$868**	**$11,659**	**8.05%**	
	Lone Oak:							

57	0 - 2.67 CCF per Month	0	$0.0000	$0	$0	$0	0.00%	$0.0000
58	Over 2.67 CCF per Month	0	0.0000	0	0	$0	0.00%	0.0000
59	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**	
	Suck Creek:							
60	0 - 2.000 CCF per Month	0	$0.0000	$0	$0	$0	0.00%	$0.0000
61	Next 10.667 CCF per Month	0	0.0000	0	0	$0	0.00%	0.0000
62	Over 12.667 CCF per Month	0	0.0000	0	0	$0	0.00%	0.0000
63	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**	
64	**TOTAL CONSUMPTION CHARGES**	**1,180,593**		**$2,559,421**	**$205,910**	**$2,765,331**	**8.05%**	
					$205,910	**$2,765,331**	**8.05%**	
	Billing Credits:							
65	Chattanooga			-$5,062	0	-$5,062	0.00%	
66	Lookout Mountain			0	0	$0	0.00%	
67	Lakeview			0	0	$0	0.00%	
68	Lone Oak			0	0	$0	0.00%	
69	Suck Creek			0	0	$0	0.00%	
70	**TOTAL BILLING CREDITS**			**-$5,062**	**$0**	**-$5,062**	**0.00%**	
71	**Total Other Public Authority Revenue**			**$3,238,418**	**$411,821**	**$3,648,239**	**12.72%**	
					$411,821	**$3,648,239**	**12.72%**	

WHN Consulting
Tennessee-American Water Company
CAPD Proposed Other Water Utility Rate Design Calculation

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Line No.	Consumer Advocate	Bills/Volume	Tariff Rate	Current Revenue	Revenue Change	Proposed Revenue	Percentage Change	Proposed Rates	Tariff Rate Change
	Monthly Service Charges:								
	Chattanooga:								
1	5/8"	0	$12.54	$0	$0	$0	0.00%	$14.14	$1.60
2	0.75"	0	21.07	0	0	0	0.00%	23.76	$2.69
3	1.00"	0	35.05	0	0	0	0.00%	39.52	$4.47
4	1.50"	0	70.13	0	0	0	0.00%	79.07	$8.94
5	2.00"	12	112.20	1,346	172	1,518	12.75%	126.46	$14.26
6	3.00"	0	210.37	0	0	0	0.00%	237.18	$26.81
7	4.00"	37	350.63	12,927	1,648	14,575	12.75%	395.34	$44.71
8	6.00"	0	701.26	0	0	0	0.00%	790.64	$89.38
9	8.00"	0	1,121.99	0	0	0	0.00%	1,265.00	$143.01
10	**Total**	**49**		**$14,273**	**$1,819**	**$16,092**	**12.75%**		
	Lookout Mountain:								
11	5/8"	0	$14.07	$0	$0	$0	0.00%	$15.86	
12	0.75"	0	21.07	0	0	0	0.00%	23.76	
13	1.00"	0	35.05	0	0	0	0.00%	39.52	
14	1.50"	0	70.13	0	0	0	0.00%	79.07	
15	2.00"	0	112.20	0	0	0	0.00%	126.50	
16	3.00"	0	210.37	0	0	0	0.00%	237.18	
17	4.00"	0	350.63	0	0	0	0.00%	395.32	
18	6.00"	0	701.26	0	0	0	0.00%	790.64	
19	8.00"	0	1,121.99	0	0	0	0.00%	1,265.00	
20	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**		
	Lakeview								
21	5/8"	0	$14.07	$0	$0	$0	0.00%	$15.86	
22	0.75"	0	21.07	0	0	0	0.00%	23.76	
23	1.00"	0	35.05	0	0	0	0.00%	39.52	
24	1.50"	0	70.13	0	0	0	0.00%	79.07	
25	2.00"	0	112.20	0	0	0	0.00%	126.50	
26	3.00"	0	210.37	0	0	0	0.00%	237.18	
27	4.00"	0	350.63	0	0	0	0.00%	395.32	
28	6.00"	0	701.26	0	0	0	0.00%	790.64	
29	8.00"	0	1,121.99	0	0	0	0.00%	1,265.00	
30	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**		

	Lone Oak:							
31	All Meter Sizes	0	$0.00	$0	$0	$0	0.00%	$0.00
32	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**	
	Suck Creek:							
33	All Meter Sizes	0	$0.00	$0	$0	$0	0.00%	$0.00
34	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**	
35	**TOTAL MONTHLY SERVICE CHARGE**	**49**		**$14,273**	**$1,819**	**$16,092**	**12.75%**	
					$1,819	**$16,092**	**12.75%**	
	Consumption Charges:							
	Chattanooga:							
36	0 - 4 CCF per Month	8	$0.2330	$2	$0	$2	0.00%	$0.2330
37	4 - 65 CCF per Month	6	3.6960	22	0	22	0.00%	3.6960
38	65 - 500 CCF per Month	0	2.3220	0	0	0	0.00%	2.3220
39	500 - 5,000 CCF per Month	0	1.7360	0	0	0	0.00%	1.7360
40	5,000 - 15,000 CCF per Monti	0	1.3270	0	0	0	0.00%	1.3270
41	Over 15,000 CCF per Month	0	0.7880	0	0	0	0.00%	0.7880
42	**Total**	**14**		**$24**	**$0**	**$24**	**0.00%**	
					$0			
	Lookout Mountain:							
43	0 - 4 CCF per Month	0	$0.8680	$0	$0	$0	0.00%	$0.8680
44	4 - 65 CCF per Month	0	4.7610	0	0	0	0.00%	4.7610
45	65 - 500 CCF per Month	0	3.3870	0	0	0	0.00%	3.3870
46	500 - 5,000 CCF per Month	0	2.3680	0	0	0	0.00%	2.3680
47	5,000 - 15,000 CCF per Monti	0	1.9600	0	0	0	0.00%	1.9600
48	Over 15,000 CCF per Month	0	1.4210	0	0	0	0.00%	1.4210
49	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**	
	Lakeview							
50	0 - 4 CCF per Month	0	$0.4290	$0	$0	$0	0.00%	$0.4290
51	4 - 65 CCF per Month	0	4.0730	0	0	0	0.00%	4.0730
52	65 - 500 CCF per Month	0	2.6990	0	0	0	0.00%	2.6990
53	500 - 5,000 CCF per Month	0	1.9290	0	0	0	0.00%	1.9290
54	5,000 - 15,000 CCF per Monti	0	1.5210	0	0	0	0.00%	1.5210
55	Over 15,000 CCF per Month	0	0.9820	0	0	0	0.00%	0.9820
56	**Total**	**0**		**$0**	**$0**	**$0**	**0.00%**	
	Lone Oak:							

57	0 - 2.67 CCF per Month	0	$0.0000	$0	$0	$0	0.00%	$0.0000
58	Over 2.67 CCF per Month	0	0.0000	0	0	$0	0.00%	0.0000
59	Total	0		$0	$0	$0	0.00%	
	Suck Creek:							
60	0 - 2.000 CCF per Month	0	$0.0000	$0	$0	$0	0.00%	$0.0000
61	Next 10.667 CCF per Month	0	0.0000	0	0	$0	0.00%	0.0000
62	Over 12.667 CCF per Month	0	0.0000	0	0	$0	0.00%	0.0000
63	Total	0		$0	$0	$0	0.00%	
64	**TOTAL CONSUMPTION CHARGES**	14		$24	$0	$24	0.00%	
					$0	$24	0.00%	
	Billing Credits:							
65	Chattanooga			$0	0	$0	0.00%	
66	Lookout Mountain			0	0	$0	0.00%	
67	Lakeview			0	0	$0	0.00%	
68	Lone Oak			0	0	$0	0.00%	
69	Suck Creek			0	0	$0	0.00%	
70	**TOTAL BILLING CREDITS**			$0	$0	$0	0.00%	
71	**Total Other Water Utility Revenue**			$14,297	$1,819	$16,116	12.72%	
					$1,819	$16,116	12.72%	

WHN Consulting
Tennessee-American Water Company
CAPD Proposed Special Contract Rate Design Calculation

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Line No.	Consumer Advocate	Bills/Volumes	Tariff Rate	Current Revenue	Revenue Change	Proposed Revenue	Percentage Change	Proposed Rates	Tariff Rate Change
1	Fort Oglethorpe	464,358	$0.9353	$434,314	$55,265	$489,579	12.72%	$1.0543	$0.1190
2	Catoosa County	187,168	1.0780	201,767	25,674	227,441	12.72%	1.2152	$0.1372
3	Signal Mountain	438,812	1.0344	453,907	0	453,907	0.00%	1.0344	$0.0000
4	Walden's Ridge	454,895	1.2180	554,062	0	554,062	0.00%	1.2180	$0.0000
	Total Special Contract	**1,545,233**		**$1,644,050**	**$80,939**	**$1,724,989**			
						$1,724,989			

WHN Consulting
Tennessee-American Water Company
CAPD Proposed Private Fire Rate Design Calculation

9/28/2012 14:10

Line No.	Consumer Advocate	Bills/Volumes	Tariff Rate	Current Revenue	Revenue Change	Proposed Revenue	Percentage Change	Proposed Rates	Tariff Rate Change
	Connection Size:								
1	1"	0	$32.66	$0	$0	$0	12.68%	$36.80	$4.14
2	1-1/2"	1	73.67	74	9	83	12.68%	83.01	$9.34
3	2"	18	131.02	2,358	299	2,657	12.68%	147.63	$18.61
4	2-1/2"	1	199.79	200	25	225	12.68%	225.12	$25.33
5	3"	2	294.50	589	75	664	12.68%	331.84	$37.34
6	4"	121	589.75	71,524	9,069	80,592	12.68%	664.53	$74.78
7	6"	897	1,178.66	1,057,064	134,030	1,191,094	12.68%	1,328.00	$149.44
8	8"	318	2,359.11	750,118	95,111	845,229	12.68%	2,658.23	$299.12
9	10"	15	3,538.92	53,084	6,731	59,815	12.68%	3,987.64	$448.72
10	12"	19	4,718.98	89,680	11,368	101,029	12.68%	5,317.30	$598.34
11	**Total Connection Charge**	1,392		$2,024,670	$256,718	$2,281,388	12.68%		
12	**Billing Credits**			-7,178	0	-7,178	0.00%		
13	**Total Private Fire Service**			$2,017,492	$256,718	$2,274,210	12.72%		
					$256,718	$2,274,210			

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Robert Prendergast

Question 007

Provide any costs associated with any employment and/or termination contracts TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company has or has had with management personnel since the last rate filing in Tennessee and provide copies of such.

Response:

See Table below for the requested information covering the three-year period January 1, 2021 through December 31, 2023:

	Employment Agreements	Separation/Severance Agreements
TAWC	$187,101	$35,308
Service Company	$4,005	$85,164

Note 1 - Employment Agreements consist of relocation expenses and retention agreements.
Management personnel consists of employees who hold the position of Vice President or above.

Note 2 – Service Company Costs reflect only TNAW's allocation of overall costs.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 008

Provide a detailed General Ledger for the latest 24 months for TAWC, its Parent, Multi- State Utility, and Affiliated Utility Service Company.

Response:

Please see 2024 TAWC MFG Q008_Attachments 1-6.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Robert Prendergast

Question 009

If TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company, seeks to recover in its rates to the Tennessee ratepayers any separation payments made under any of the contracts, state the amount of any separation payments since the last rate filing in Tennessee.

Response:

TAWC is seeking to recover $27,276 of severance expense in the attrition year ending December 31, 2025, based on a 3-year average of severance expense. Please see the below table for TAWC severance expense for 2012-2023.

Year	Severance Expense
2012	$114,716
2013	2,118
2014	30,936
2015	22,510
2016	13,142
2017	12,201
2018	49,884
2019	25,526
2020	0
2021	79,842
2022	1,986
2023	0

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 010

Provide a detailed Trial Balance for the last two (2) fiscal years for TAWC, its Parent, Multi-State Utility, and Affiliated Utility Service Company, by month, by account, including adjusting entries and post-closing balances.

Response:

Please refer to 2024 TAWC MFG Q010_Attachment.

Tennessee American Water Company
Trial Balance as of January 31, 2022

Description	January 2022 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	(6,509)	645,474
10130360 UPIS - Land & Land Rights - Admin & General	1,765,791	0	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	691,799	11,224	680,576
10130420 UPIS - Struct & Imp - Pumping	7,154,065	(13,582)	7,167,648
10130430 UPIS - Struct & Imp - Water Treatment	18,584,075	(556)	18,584,632
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,224,884	193,832	4,031,053
10130600 UPIS - Lake & River & Other	589,212	(16,520)	605,732
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	767,741	0	767,741
10131120 UPIS - Pumping Equipment - Electric	5,178,452	53,741	5,124,712
10131130 UPIS - Pumping Equipment - Diesel	119,296	0	119,296
10131150 UPIS - Pumping Equipment - Other	660,488	259,620	400,868
10131152 UPIS - Pumping Equipment - Source of Supply	2,621,788	(1,124)	2,622,912
10132010 UPIS - Water Treatment Equipment	27,578,654	(462,278)	28,040,932
10133000 UPIS - Distribution Reservoirs & Standpipes	14,800,077	(0)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	153,109,992	4,577,542	148,532,450
10133300 UPIS - Services	32,384,076	482,289	31,901,788
10133410 UPIS - Meters	17,285,439	1,929,150	15,356,289
10133420 UPIS - Meter Installations	21,232,175	659,062	20,573,113
10133500 UPIS - Hydrants	11,856,085	825,409	11,030,676
10133910 UPIS - Other P/E - Intangible	401,055	0	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	12,880,602	254,766	12,625,836
10134100 UPIS - Transportation Equipment	6,164,006	315,012	5,848,994
10134200 UPIS - Stores Equipment	24,072	0	24,072
10134300 UPIS - Tools-Shop-Garage Equipment	765,315	106,498	658,817
10134400 UPIS - Laboratory Equipment	157,380	510	156,870
10134500 UPIS - Power Operated Equipment	379,488	92,905	286,583
10134600 UPIS - Communication Equipment	2,089,832	84,420	2,005,412
10134700 UPIS - Misc Equipment	466,677	3,894	462,783
10134800 UPIS - Other Tangible Property	4,918	0	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10400000 Utility Plant Purchased or Sold	0	0	0
10630360 CCNC Land & Land Rights - Adm & Gen	896,090	0	896,090
10630410 CCNC Struct & Imp - Source of Supply	4,548	(6,879)	11,427
10630420 CCNC Struct & Imp - Pumping	1,198,228	515,460	682,767
10630430 CCNC Struct & Imp - Water Treatment	14,226,199	2,767,762	11,458,437
10630440 CCNC Struct & Imp - Transmission & Distribution	106,686	0	106,686
10630450 CCNC Struct & Imp - Admin & General	895,850	99,777	796,074
10630600 CCNC Lake - River & Other	414,697	798	413,899
10630900 CCNC Supply Mains	1,349,045	71,782	1,277,263
10631000 CCNC Power Generation Equipment	81,708	81,708	0
10631120 CCNC Pumping Equipment - Electric	77,662	38,091	39,570
10631150 CCNC Pumping Equipment - Other	5,044,113	3,307,324	1,736,789
10631152 CCNC Pumping Equipment - Source of Supply	0	(3,449)	3,449

Tennessee American Water Company
Trial Balance as of January 31, 2022

Description	January 2022 Balance	Activity	Prior Year Balance
10632010 CCNC - Water Treatment Equipment - Non-Media	2,043,228	43,955	1,999,273
10633000 CCNC - Distribution Reservoirs & Standpipes	3,761,325	1,373,047	2,388,277
10633100 CCNC - Transmssn & Distr Mains Not Classified	20,618,648	3,557,025	17,061,623
10633300 CCNC Services	283,672	(69,487)	353,159
10633410 CCNC Meters	3,777,991	1,140,508	2,637,483
10633420 CCNC Meter Installations	1,395,614	641,707	753,907
10633500 CCNC Hydrants	852,791	472,840	379,952
10633910 CCNC Other P/E Intangible	1,179,406	1,049,122	130,284
10634010 CCNC Office Furniture & Equipment	8,292,480	2,610,187	5,682,293
10634100 CCNC Transportation Equipment Not Classified	2,413,919	1,034,258	1,379,661
10634300 CCNC Tools-Shop-Garage Equipment	125,043	(54,986)	180,029
10634400 CCNC Laboratory Equipment	0	(3,394)	3,394
10634500 CCNC Power Operated Equipment	0	(92,905)	92,905
10634600 CCNC Communication Equipment	135,766	76,936	58,830
10634700 CCNC Misc Equipment	50,641	0	50,641
10634800 CCNC Other Tangible Property	15,821	0	15,821
Total: Utility plant in service	416,049,158	28,000,490	388,048,667
10700000 CWIP	4,465,205	(886,659)	5,351,864
10780110 CWIP - Eng Clearing Dist Overhead	158,694	98,306	60,388
10780120 CWIP - Eng Clearing Eng Overhead	34	34	0
10780160 CWIP - Suspended CWIP Reserve	(22,825)	(261)	(22,564)
10780170 CWIP-T&I Indirect OH Clearing	0	(485)	485
Total: Construction work in progress	4,601,108	(789,065)	5,390,173
10801000 Accum Depreciation - Utility Plant in Service	(163,805,998)	(10,357,398)	(153,448,600)
10802000 Accum Depreciation - Salvage/Scrap	(4,581,898)	(13,628)	(4,568,269)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	47,284,687	747,383	46,537,304
10810000 Accum Depreciation - Reg Asset	(34,031)	(1,754)	(32,277)
Total: Accumulated depreciation/amortization	(121,147,100)	(9,625,398)	(111,521,702)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	295,753,587	17,586,028	278,167,559
Total: Total Property Plant & Equipment	295,753,587	17,586,028	278,167,559
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	105	(13,778)	13,883
13140103 PNC AWCC-Accounts Payable - Outbound Check	(680,336)	1,122,091	(1,802,426)
13140202 PNC AWCC-Payroll - Outbound ACH	0	100	(100)
13140203 PNC AWCC-Payroll - Outbound Check	0	(100)	100
13140303 PNC AWCC-Customer Refund - Outbound Check	(218,546)	14,917	(233,462)
13162600 US Bank TN - Main	256,410	53,288	203,122
13162609 US Bank TN - Credit Card and E-Checks	144,836	28,313	116,524
13162610 US Bank TN - Firstech Collections	1,172	951	221
13162611 US Bank TN - FiServ (aka CheckFree)	13,940	9,934	4,006
13162612 US Bank TN - Penn Credit	400	(101)	501
13162613 US Bank TN - E-Return - US Bank	19	19	0
13162614 US Bank TN -Credit Card & Echeck E-Returns	0	142	(142)
13162616 US Bank TN - NSF Return Payments	70	70	0
13199004 Cash Clearing - MI's	(9,057)	(9,057)	0

Tennessee American Water Company
Trial Balance as of January 31, 2022

Description	January 2022 Balance	Activity	Prior Year Balance
Total: Cash and cash equivalents	(488,985)	1,206,789	(1,695,774)
14100000 A/R - Customer - CIS Reconciliation	4,344,406	313,907	4,030,498
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	0	0	0
14100998 A/R - Customer - Payment Clarification	(7,371)	5,613	(12,984)
14100999 A/R - Customer - Returns Clarification	0	20	(20)
Total: Utility customer accounts receivable	4,337,035	319,540	4,017,495
14510000 A/R Assoc Cos - Miscellaneous	883,377	(10,938,745)	11,822,122
14510100 A/R Assoc Cos - Reconciliation Account	251,131	56,847	194,284
14511001 A/R Assoc Cos - Service Company Bill	68,933	46,762	22,171
14573000 A/R Assoc Cos - Dividend Equivalents	0	(5,058)	5,058
Total: Receivable from affiliated companies	1,203,442	(10,840,194)	12,043,635
14610000 Misc A/R - Reconciliation Account	549,603	(294,006)	843,609
14611000 Misc A/R - Manual	1,436	28	1,408
14611200 Misc A/R - Retro Insurance	160,307	91,141	69,166
14611500 Misc A/R - Medicare Subsidy	76,483	(8,400)	84,883
14613000 Misc A/R - Employees	0	114	(114)
Total: Other receivables, net	787,830	(211,123)	998,953
14300000 Allowance for Uncollectible Accounts	(473,816)	201,327	(675,143)
14620000 Misc Rec - Allow for Uncollectible Accts	(19,758)	(1,005)	(18,753)
Total: Allowance for uncollectible accounts	(493,574)	200,322	(693,896)
Total: Accounts receivable, net	5,834,732	(10,531,455)	16,366,187
14400000 Unbilled Utility Revenue	2,029,117	119,280	1,909,837
Total: Unbilled revenues	2,029,117	119,280	1,909,837
15110000 Inventory - Plant Material	1,086,833	297,706	789,127
15130000 Inventory - Chemicals	153,536	6,442	147,094
15140000 Inventory - Other Materials & Supplies	9,680	5,388	4,292
Total: Materials and supplies	1,250,049	309,537	940,512
16410000 Other Special Deposits	15,000	(1,000)	16,000
16510000 Prepaid Taxes	311,813	(79,590)	391,402
16520000 Prepaid Insurance	210,637	(188,003)	398,640
16530000 Prepaid PUC/PSC Assessment	(17,084)	1,049	(18,133)
16550000 Prepaid Other	(8,551)	(40,836)	32,285
16550010 Prepaid Other - Global	23,745	12,588	11,157
16611000 Reg Asset-OCA tax	0	0	0
Total: Other current assets	535,560	(295,792)	831,352
Total: Total Current Assets	9,160,473	(9,191,642)	18,352,115
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	83,985	40,118	43,867
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	1,791,386	0	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	0	0	0
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	139,441	(74,225)	213,666
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	2,622,468	0	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	(708,106)	(50,299)	(657,808)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	0	0	0
Total: Reg asset - income tax recovery	3,929,174	(84,406)	4,013,580
18661000 Reg Asset - Unamortized Debt Exp	10,370	(2,257)	12,627
18661500 Reg Asset - Unamortized Debt Exp Interco	1,266,947	88,192	1,178,755
Total: Debt and preferred stock expense	1,277,316	85,934	1,191,382
18680000 Reg Asset - Cost of Removal	0	0	0

Tennessee American Water Company
Trial Balance as of January 31, 2022

Description	January 2022 Balance	Activity	Prior Year Balance
18680100 Reg Asset - Cost of Removal - RWIP	0	0	0
18680101 Reg Asset - Deferred Vacation Pay	253,727	7,425	246,302
18680162 Reg Asset- Closing Costs	8,917	(1,000)	9,917
18680218 Regulatory Asset - "Make-Whole Premium"	184,545	(28,032)	212,577
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18680228 Reg Asset - Pandemic Costs	0	(617,639)	617,639
18689900 Reg Asset - Other	0	0	0
Total: Other regulatory assets	480,066	(639,246)	1,119,312
Total: Regulatory assets	5,686,556	(637,718)	6,324,274
18750000 LT Asset - Operating Lease Right-Of-Use Assets	2,840	(896)	3,735
Total: Operating lease right-of-use assets	2,840	(896)	3,735
18715700 LT Asset - Unamort Debt In - Revolver	49,729	(15,704)	65,433
Total: Other long-term assets	49,729	(15,704)	65,433
Total: Total Regulatory and other long-term assets	5,739,125	(654,318)	6,393,442
Total: ASSETS	310,653,184	7,740,068	302,913,116
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(55,652,674)	(14,057,306)	(41,595,367)
Total: Paid-in capital	(55,652,674)	(14,057,306)	(41,595,367)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(43,831,434)	(3,419,573)	(40,411,861)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(43,340,466)	(3,419,573)	(39,920,894)
Total: Total Stockholders' equity	(112,747,375)	(17,476,879)	(95,270,496)
Total: Total Equity	(112,747,375)	(17,476,879)	(95,270,496)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	325,955	25,914	300,041
22115000 Bonds - Interco	(97,280,321)	(15,000,000)	(82,280,321)
Total: Long-term debt	(102,654,366)	(14,974,086)	(87,680,280)
Total: Total Long-term debt	(102,654,366)	(14,974,086)	(87,680,280)
Total: Total Capitalization	(215,401,742)	(32,450,965)	(182,950,776)
23140005 N/P Term Loans - Intercompany	0	11,793,364	(11,793,364)
Total: Current - Term Loans	0	11,793,364	(11,793,364)
23121000 In-House Cash Center Bank	(19,744,472)	14,224,829	(33,969,301)
23121001 IHC Clearing - Outgoing Payment	(92,517)	(110,813)	18,296
Total: In-House Cash Center	(19,836,989)	14,114,016	(33,951,004)
Total: Short-term debt	(19,836,989)	25,907,380	(45,744,368)
23410000 A/P - Reconciliation Account	(1,821,531)	(924,569)	(896,962)
23410100 A/P Intercompany - Reconciliation Account	(359,309)	172,009	(531,319)
23411001 PCard Distributed-Clearing for Mapped Transactions	(7,260)	(2,629)	(4,631)
23430000 A/P - Miscellaneous	(76,581)	(41,581)	(35,000)
23430600 A/P - Workbasket Accrual	(89,637)	(22,486)	(67,151)
23430700 A/P - Pcard Accrual	(7,900)	18,156	(26,056)
23431000 A/P - Misc Global	(65,272)	42,707	(107,980)
23435000 A/P - Project Cost Accrual	(2,230,062)	408,722	(2,638,784)
23436000 A/P-GRIR Capital Services	398	53,675	(53,276)
Total: Accounts payable external	(4,657,155)	(295,997)	(4,361,158)
23510000 A/P Associated Companies	(1,094)	2,410	(3,504)

Tennessee American Water Company
Trial Balance as of January 31, 2022

Description	January 2022 Balance	Activity	Prior Year Balance
23520000 A/P Associated Companies - Service Co Bill	1,117,408	134,924	982,484
23520001 A/P Associated Companies - Service Co Bill	(876,922)	12,972	(889,894)
23530000 CFO - WLPP Interco	0	90	(90)
23530100 CFO - SLPP Interco	0	36	(36)
23530200 CFO - InHome Interco	0	27	(27)
23530300 CFO - WLPP/SLPP Interco	0	136	(136)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	36	(45)
23540000 CFO - WLPP Receivable Interco	0	0	0
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	74	0	74
23540100 CFO - SLPP Receivable Interco	(65)	(65)	0
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	64	0	64
23540200 CFO - InHome Receivable Interco	0	0	0
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	23	0	23
23540300 CFO - WLPP/SLPP Receivable Interco	0	0	0
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	126	0	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	(259)	0
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	45	0	45
Total: Accounts payable associated companies	239,393	150,307	89,086
Total: Accounts payable	(4,417,762)	(145,690)	(4,272,072)
23621000 Accrued FIT - Current Year	(1,125,653)	(1,971,219)	845,566
23622000 Accrued FIT - Prior Years	59,632	361,373	(301,741)
Total: Accrued federal income tax	(1,066,021)	(1,609,846)	543,825
23631000 Accrued SIT - Current Year	140,775	(311,125)	451,900
23632000 Accrued SIT - Prior Years	336,646	(534,948)	871,593
Total: Accrued state income tax	477,421	(846,073)	1,323,494
23652100 Accrued Tax - FICA	(55,344)	(4,867)	(50,477)
23653000 Accrued Tax - Property Tax	(3,751,084)	(1,183,148)	(2,567,936)
23654000 Accrued Tax - Use Tax	(19,126)	(15,472)	(3,653)
23654110 Accrued Tax - Franchise Tax - Income Tax	(793,099)	(40,166)	(752,933)
Total: Other accrued taxes	(4,618,652)	(1,243,654)	(3,374,999)
Total: Taxes accrued, including income taxes	(5,207,252)	(3,699,573)	(1,507,679)
23720000 Interest Accrued - LTD	(186,200)	0	(186,200)
23730000 Interest Accrued - LTD Interco	(1,159,644)	(81,250)	(1,078,394)
Total: Interest accrued	(1,345,844)	(81,250)	(1,264,594)
24120000 Accrued Vacation Pay	(253,727)	(7,425)	(246,302)
24120200 Accrued Power	(166,811)	(23,944)	(142,867)
24120300 Accrued Legal	(31,184)	5,334	(36,518)
24120600 Accrued Wages	(171,910)	(24,104)	(147,806)
24120699 Accrued Wages - Net Adjustments Clearing	(4,400)	4,650	(9,050)
24120700 Accrued Insurance	31,186	56,146	(24,959)
24120710 Accrued Insurance Retro Adjustment	0	0	0
24121000 Accrued Waste Disposal	(49,619)	(23,231)	(26,388)
24121100 Accrued Retiree Medical	(4,208)	(361)	(3,847)
24121200 Accrued DCP - Contribution	(19,895)	(1,016)	(18,880)
24121400 Accrued Bank Fees	(13,960)	2,174	(16,134)
24121800 Accrued Severance	0	0	0
24122500 Refund Rates Under Bond	(155,593)	(14,325)	(141,268)
24122700 Accrued Employer 401k Match	(14,357)	(599)	(13,758)

Tennessee American Water Company
Trial Balance as of January 31, 2022

Description	January 2022 Balance	Activity	Prior Year Balance
24123000 Accrued Incentive Plan Cash	(557,432)	(47,724)	(509,708)
24126000 Miscellaneous Deposits Payable	(2,571)	(2,571)	0
24126200 Accrued Paving	(12,032)	(12,032)	0
24133000 Unclaimed Customer Credits	(21,924)	(20,607)	(1,317)
24133200 Unclaimed A/P Checks	(12,590)	0	(12,590)
24142006 WH PR - 401k Contributions	(23,196)	(772)	(22,424)
24142014 WH PR - ESPP	(12,386)	(1,346)	(11,040)
24150000 Operating Lease Current Liability	(916)	(20)	(896)
24161000 GRIR - Stock E (Materials)	(75,294)	26,683	(101,977)
24163000 GRIR - Stock C (Chemicals)	(65,525)	(21,193)	(44,332)
24164000 GRIR - Non-inventory	(284,967)	262,392	(547,359)
24171000 CFO Miscellaneous	(17)	(17)	0
24171006 CFO Customer Assistance Pledged	(275)	(46)	(229)
24172000 CFO Sales Tax	30,371,293	3,985,363	26,385,930
24172100 CFO Sales Tax - from CIS	(30,751,466)	(4,036,185)	(26,715,281)
24199100 Reg Liab-OCL taxable	(231,110)	(231,110)	0
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	(635,956)	(635,956)	0
24199700 Deferred Revenue - Current Portion	(583,056)	(75,964)	(507,092)
24199900 Other Current Liabilities - Non-Tax Sensitive	0	0	0
25299900 Advances for Construction - Current	(616,578)	(238,859)	(377,719)
Total: Other current liabilities	(4,370,478)	(1,076,666)	(3,293,812)
Total: Total Current Liabilities	(35,178,325)	20,904,201	(56,082,525)
25211000 Advances for Construction - NT Mains	(218,805)	(178,792)	(40,014)
25212000 Advances for Construction - NT Extension Deposits	(1,247,816)	777,361	(2,025,177)
25215000 Advances for Construction - NT Hydrants	(21,834)	(856)	(20,978)
25217000 Advances for Construction - NT WIP	(2,755,523)	(2,755,523)	0
25221000 Advances for Construction - Tax Mains	(1,749,391)	(819,778)	(929,613)
25222000 Advances for Construction - Tax Extension Deposits	(92,716)	(11,466)	(81,250)
25223000 Advances for Construction - Tax Services	(30,259)	25,222	(55,481)
25225000 Advances for Construction - Tax Hydrants	(59,735)	(45,293)	(14,443)
25227000 Advances for Construction - Tax WIP	(114,273)	2,096,449	(2,210,722)
25241000 Advances for Construction - Tax Mains - FIT	(1,337,384)	(551,296)	(786,088)
25243000 Advances for Construction - Tax Services - FIT	(22)	(22)	0
25245000 Advances for Construction - Tax Hydrants - FIT	(48,502)	(29,546)	(18,956)
25280000 Advances for Construction - Reclassed to Current	616,578	238,859	377,719
Total: Customer Advances for construction	(7,059,682)	(1,254,679)	(5,805,003)
25310000 Deferred FIT Liability – Property	(17,668)	0	(17,668)
25311000 Deferred FIT Liability – Non Property	(27,661,733)	(1,354,408)	(26,307,325)
Total: Federal Deferred income taxes long-term	(27,679,401)	(1,354,408)	(26,324,993)
25321000 Deferred SIT Liability – Non Property	(8,069,008)	(648,863)	(7,420,145)
Total: State Deferred income taxes long-term	(8,069,008)	(648,863)	(7,420,145)
Total: Deferred income taxes	(35,748,409)	(2,003,271)	(33,745,138)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(21,287)	4,764	(26,051)
25510300 Unamortized ITC - 10%	(25,328)	68,508	(93,836)
Total: Deferred investment tax credits	(46,615)	73,272	(119,887)
25700000 Reg Liab - Cost of Removal	16,819,094	3,564,432	13,254,663
25710000 Reg Liab - Cost of Removal RWIP	835,711	(947,386)	1,783,097

Tennessee American Water Company
Trial Balance as of January 31, 2022

Description	January 2022 Balance	Activity	Prior Year Balance
Total: Reg liability - cost of removal	17,654,805	2,617,046	15,037,760
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(16,837,973)	2,455,949	(19,293,922)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	(218,457)	11,984	(230,441)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	256,682	(14,093)	270,775
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	119,048	(6,737)	125,785
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(0)	0	(0)
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	(7,533)	1,571	(9,103)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	(8,962)	22,959	(31,920)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	0	0	0
25632300 Reg Liab-Tax Cuts & Jobs Act Customer Refunds - LT	0	1,726,165	(1,726,165)
25632400 Reg Liab - Refund to Customers	0	305,668	(305,668)
25633000 Reg Liab - Pension Tracker	(1,572,559)	(492,198)	(1,080,361)
25636000 Reg Liab - Pandemic Costs	0	152,787	(152,787)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(815,400)	50,400	(865,800)
25689900 Reg Liab - Other	316,820	(43,996)	360,816
Total: Other regulatory liabilities	(18,768,333)	4,170,458	(22,938,791)
Total: Regulatory liabilities	(1,113,527)	6,787,504	(7,901,031)
26212000 Accrued Pension Expense	1,674,300	740,193	934,107
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	1,674,300	740,193	934,107
26221000 Accrued OPEB	2,879,192	1,248,930	1,630,262
26221500 Accrued OPEB Medicare Subsidy	(143,067)	(19,435)	(123,632)
Total: Accrued postretirement benefit expense	2,736,125	1,229,495	1,506,630
26300000 Operating Lease Long-Term Liability	(1,924)	916	(2,840)
Total: Operating lease long-term liabilities	(1,924)	916	(2,840)
26580000 FIN 48 Reserve - Federal	(459,133)	(474,677)	15,544
26581000 FIN 48 Reserve - State	(263,878)	(98,342)	(165,536)
Total: Other tax liabilities	(723,011)	(573,019)	(149,992)
Total: Other Deferred Credits	(723,011)	(573,019)	(149,992)
Total: Regulatory and other long-term liabilities	(40,282,743)	5,000,411	(45,283,154)
27111000 CIAC-Non Taxable - Mains	(6,019,942)	(93,706)	(5,926,236)
27112000 CIAC-Non Taxable - Ext Dep	(8,297,724)	(373,029)	(7,924,695)
27113000 CIAC-Non Taxable - Services	(492,638)	0	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,321,589)	(28,785)	(1,292,804)
27116000 CIAC-Non Taxable - Other	(3,083,061)	(104,000)	(2,979,061)
27117000 CIAC-Non Taxable - WIP	(181,724)	(181,724)	0
27121000 CIAC-Taxable - Mains	(2,309,262)	(56,283)	(2,252,979)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,600,826)	(315,898)	(2,284,929)
27124000 CIAC-Taxable - Meters	(109,371)	(1,001)	(108,370)
27125000 CIAC-Taxable - Hydrants	(291,834)	(5,037)	(286,797)
27127000 CIAC-Taxable - WIP	(114,207)	130,343	(244,550)
27141000 CIAC-Taxable - Mains FIT	(380,598)	(29,050)	(351,548)
27143000 CIAC-Taxable - Services FIT	(42,045)	(41,948)	(97)
27145000 CIAC-Taxable - Hydrants FIT	(37,436)	4,410	(41,845)
27206000 Accum Amort CIAC - Other	5,523,493	247,377	5,276,117
27210000 Accum Amort CIAC - Tax	1,106,951	75,088	1,031,863

Tennessee American Water Company
Trial Balance as of January 31, 2022

Description	January 2022 Balance	Activity	Prior Year Balance
Total: Contributions in aid of construction	(18,767,658)	(773,244)	(17,994,414)
Total: CAPITAL AND LIABILITIES	(309,630,467)	(7,319,598)	(302,310,870)
Total: BALANCE SHEET (Net Profit)	1,022,717	420,470	602,247

Tennessee American Water Company
Trial Balance as of February 28, 2022

Description	February 2022 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	(6,509)	645,474
10130360 UPIS - Land & Land Rights - Admin & General	1,765,791	0	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	691,799	11,224	680,576
10130420 UPIS - Struct & Imp - Pumping	7,154,065	(13,582)	7,167,648
10130430 UPIS - Struct & Imp - Water Treatment	18,583,775	(856)	18,584,632
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,224,884	193,832	4,031,053
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	767,741	0	767,741
10131120 UPIS - Pumping Equipment - Electric	5,176,969	52,257	5,124,712
10131130 UPIS - Pumping Equipment - Diesel	119,296	0	119,296
10131150 UPIS - Pumping Equipment - Other	727,966	157,915	570,052
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	(2,714)	2,622,912
10132010 UPIS - Water Treatment Equipment	27,578,537	(461,588)	28,040,125
10133000 UPIS - Distribution Reservoirs & Standpipes	14,800,077	(0)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	153,609,006	4,256,015	149,352,991
10133300 UPIS - Services	32,399,053	413,085	31,985,968
10133410 UPIS - Meters	17,284,200	1,913,442	15,370,758
10133420 UPIS - Meter Installations	21,289,114	670,613	20,618,501
10133500 UPIS - Hydrants	11,946,728	790,033	11,156,694
10133910 UPIS - Other P/E - Intangible	401,055	0	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	12,880,602	210,303	12,670,298
10134100 UPIS - Transportation Equipment	6,164,006	315,012	5,848,994
10134200 UPIS - Stores Equipment	24,072	0	24,072
10134300 UPIS - Tools-Shop-Garage Equipment	770,482	111,665	658,817
10134400 UPIS - Laboratory Equipment	157,380	3,705	153,675
10134500 UPIS - Power Operated Equipment	379,488	92,905	286,583
10134600 UPIS - Communication Equipment	2,089,832	84,420	2,005,412
10134700 UPIS - Misc Equipment	466,677	3,894	462,783
10134800 UPIS - Other Tangible Property	4,918	0	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10400000 Utility Plant Purchased or Sold	0	0	0
10630360 CCNC Land & Land Rights - Adm & Gen	896,090	0	896,090
10630410 CCNC Struct & Imp - Source of Supply	4,548	(6,879)	11,427
10630420 CCNC Struct & Imp - Pumping	1,212,432	529,665	682,767
10630430 CCNC Struct & Imp - Water Treatment	14,271,810	2,410,623	11,861,188
10630440 CCNC Struct & Imp - Transmission & Distribution	106,686	0	106,686
10630450 CCNC Struct & Imp - Admin & General	895,850	99,776	796,074
10630600 CCNC Lake - River & Other	414,697	798	413,899
10630900 CCNC Supply Mains	1,349,045	43,241	1,305,804
10631000 CCNC Power Generation Equipment	88,376	88,376	0
10631120 CCNC Pumping Equipment - Electric	77,575	38,004	39,570
10631150 CCNC Pumping Equipment - Other	5,133,645	3,527,659	1,605,986
10631152 CCNC Pumping Equipment - Source of Supply	0	(3,449)	3,449

Tennessee American Water Company
Trial Balance as of February 28, 2022

Description	February 2022 Balance	Activity	Prior Year Balance
10632010 CCNC - Water Treatment Equipment - Non-Media	2,045,686	7,414	2,038,272
10633000 CCNC - Distribution Reservoirs & Standpipes	3,777,027	1,388,749	2,388,277
10633100 CCNC - Transmssn & Distr Mains Not Classified	20,797,195	3,693,652	17,103,543
10633300 CCNC Services	264,071	(84,152)	348,224
10633410 CCNC Meters	3,770,041	1,120,572	2,649,470
10633420 CCNC Meter Installations	1,403,899	655,351	748,548
10633500 CCNC Hydrants	949,360	631,278	318,082
10633910 CCNC Other P/E Intangible	1,179,406	1,049,122	130,284
10634010 CCNC Office Furniture & Equipment	8,327,401	2,675,416	5,651,985
10634100 CCNC Transportation Equipment Not Classified	2,572,538	954,822	1,617,716
10634300 CCNC Tools-Shop-Garage Equipment	119,876	(62,979)	182,854
10634400 CCNC Laboratory Equipment	0	(3,705)	3,705
10634500 CCNC Power Operated Equipment	0	(92,905)	92,905
10634600 CCNC Communication Equipment	138,068	79,238	58,830
10634700 CCNC Misc Equipment	50,641	0	50,641
10634800 CCNC Other Tangible Property	15,821	0	15,821
Total: Utility plant in service	417,399,258	27,534,757	389,864,501
10700000 CWIP	4,331,250	(1,843,862)	6,175,112
10780110 CWIP - Eng Clearing Dist Overhead	294,724	308,426	(13,702)
10780120 CWIP - Eng Clearing Eng Overhead	1,104	1,000	104
10780160 CWIP - Suspended CWIP Reserve	(22,825)	(261)	(22,564)
10780170 CWIP-T&I Indirect OH Clearing	(2,326)	(8,086)	5,760
Total: Construction work in progress	4,601,927	(1,542,782)	6,144,710
10801000 Accum Depreciation - Utility Plant in Service	(164,723,016)	(10,436,161)	(154,286,855)
10802000 Accum Depreciation - Salvage/Scrap	(4,582,328)	(11,398)	(4,570,930)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	47,309,216	1,552,298	45,756,918
10810000 Accum Depreciation - Reg Asset	(34,124)	(1,847)	(32,277)
Total: Accumulated depreciation/amortization	(122,040,112)	(8,897,107)	(113,143,005)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	296,211,495	17,094,868	279,116,627
Total: Total Property Plant & Equipment	296,211,495	17,094,868	279,116,627
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	224	224	0
13140103 PNC AWCC-Accounts Payable - Outbound Check	(624,702)	(429,551)	(195,151)
13140202 PNC AWCC-Payroll - Outbound ACH	0	0	0
13140203 PNC AWCC-Payroll - Outbound Check	0	0	0
13140303 PNC AWCC-Customer Refund - Outbound Check	(218,598)	4,741	(223,339)
13162600 US Bank TN - Main	229,444	61,830	167,614
13162609 US Bank TN - Credit Card and E-Checks	165,395	61,165	104,230
13162610 US Bank TN - Firstech Collections	895	615	280
13162611 US Bank TN - FiServ (aka CheckFree)	9,337	2,251	7,085
13162612 US Bank TN - Penn Credit	123	(3)	127
13162613 US Bank TN - E-Return - US Bank	0	0	0
13162614 US Bank TN -Credit Card & Echeck E-Returns	0	396	(396)
13162616 US Bank TN - NSF Return Payments	0	(561)	561
13199004 Cash Clearing - MI's	(681)	(681)	0

Tennessee American Water Company
Trial Balance as of February 28, 2022

Description	February 2022 Balance	Activity	Prior Year Balance
Total: Cash and cash equivalents	(436,562)	(299,573)	(136,988)
14100000 A/R - Customer - CIS Reconciliation	4,088,779	35,991	4,052,788
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	0	0	0
14100998 A/R - Customer - Payment Clarification	(6,028)	(6,028)	0
14100999 A/R - Customer - Returns Clarification	1,949	1,949	0
Total: Utility customer accounts receivable	4,084,700	31,912	4,052,788
14510000 A/R Assoc Cos - Miscellaneous	0	(11,793,364)	11,793,364
14510100 A/R Assoc Cos - Reconciliation Account	316,850	127,822	189,028
14511001 A/R Assoc Cos - Service Company Bill	60,127	41,495	18,631
14573000 A/R Assoc Cos - Dividend Equivalents	0	(1,467)	1,467
Total: Receivable from affiliated companies	376,977	(11,625,514)	12,002,490
14610000 Misc A/R - Reconciliation Account	547,517	27,728	519,790
14611000 Misc A/R - Manual	1,431	5	1,426
14611200 Misc A/R - Retro Insurance	160,307	91,141	69,166
14611500 Misc A/R - Medicare Subsidy	78,626	(8,907)	87,533
14613000 Misc A/R - Employees	0	114	(114)
Total: Other receivables, net	787,882	110,081	677,801
14300000 Allowance for Uncollectible Accounts	(449,289)	190,853	(640,143)
14620000 Misc Rec - Allow for Uncollectible Accts	(19,758)	(1,005)	(18,753)
Total: Allowance for uncollectible accounts	(469,047)	189,848	(658,895)
Total: Accounts receivable, net	4,780,511	(11,293,673)	16,074,184
14400000 Unbilled Utility Revenue	2,121,658	277,824	1,843,834
Total: Unbilled revenues	2,121,658	277,824	1,843,834
15110000 Inventory - Plant Material	1,097,683	316,624	781,059
15130000 Inventory - Chemicals	169,017	39,345	129,672
15140000 Inventory - Other Materials & Supplies	21,741	9,604	12,137
Total: Materials and supplies	1,288,441	365,573	922,868
16410000 Other Special Deposits	15,000	(1,000)	16,000
16510000 Prepaid Taxes	251,088	(62,034)	313,122
16520000 Prepaid Insurance	378,147	42,604	335,543
16530000 Prepaid PUC/PSC Assessment	(34,169)	2,097	(36,266)
16550000 Prepaid Other	(22,851)	(41,360)	18,509
16550010 Prepaid Other - Global	20,935	12,049	8,886
16611000 Reg Asset-OCA tax	0	0	0
Total: Other current assets	608,150	(47,645)	655,794
Total: Total Current Assets	8,362,198	(10,997,494)	19,359,692
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	83,985	40,118	43,867
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	1,791,386	0	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	0	0	0
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	133,149	(72,948)	206,097
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	2,622,468	0	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	(712,324)	(49,987)	(662,337)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	0	0	0
Total: Reg asset - income tax recovery	3,918,664	(82,817)	4,001,481
18661000 Reg Asset - Unamortized Debt Exp	10,182	(2,257)	12,439
18661500 Reg Asset - Unamortized Debt Exp Interco	1,260,831	87,749	1,173,082
Total: Debt and preferred stock expense	1,271,012	85,492	1,185,520
18680000 Reg Asset - Cost of Removal	0	0	0

Tennessee American Water Company
Trial Balance as of February 28, 2022

Description	February 2022 Balance	Activity	Prior Year Balance
18680100 Reg Asset - Cost of Removal - RWIP	0	0	0
18680101 Reg Asset - Deferred Vacation Pay	253,727	7,425	246,302
18680162 Reg Asset- Closing Costs	8,833	(1,000)	9,833
18680218 Regulatory Asset - "Make-Whole Premium"	182,209	(28,032)	210,241
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18680228 Reg Asset - Pandemic Costs	0	(625,637)	625,637
18689900 Reg Asset - Other	0	0	0
Total: Other regulatory assets	477,647	(647,244)	1,124,890
Total: Regulatory assets	5,667,323	(644,569)	6,311,892
18750000 LT Asset - Operating Lease Right-Of-Use Assets	2,764	(897)	3,661
Total: Operating lease right-of-use assets	2,764	(897)	3,661
18715700 LT Asset - Unamort Debt In - Revolver	48,420	(15,704)	64,124
Total: Other long-term assets	48,420	(15,704)	64,124
Total: Total Regulatory and other long-term assets	5,718,508	(661,170)	6,379,678
Total: ASSETS	310,292,200	5,436,203	304,855,997
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(75,654,810)	(34,057,510)	(41,597,300)
Total: Paid-in capital	(75,654,810)	(34,057,510)	(41,597,300)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(43,831,434)	(3,419,573)	(40,411,861)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(43,340,466)	(3,419,573)	(39,920,894)
Total: Total Stockholders' equity	(132,749,511)	(37,477,083)	(95,272,428)
Total: Total Equity	(132,749,511)	(37,477,083)	(95,272,428)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	324,493	25,795	298,698
22115000 Bonds - Interco	(97,280,321)	(15,000,000)	(82,280,321)
Total: Long-term debt	(102,655,829)	(14,974,205)	(87,681,623)
Total: Total Long-term debt	(102,655,829)	(14,974,205)	(87,681,623)
Total: Total Capitalization	(235,405,340)	(52,451,288)	(182,954,051)
23140005 N/P Term Loans - Intercompany	0	11,793,364	(11,793,364)
Total: Current - Term Loans	0	11,793,364	(11,793,364)
23121000 In-House Cash Center Bank	(2,053,371)	35,490,199	(37,543,570)
23121001 IHC Clearing - Outgoing Payment	(217,534)	(254,528)	36,994
23121002 IHC Clearing - Incoming Payment	0	375	(375)
Total: In-House Cash Center	(2,270,904)	35,236,047	(37,506,951)
Total: Short-term debt	(2,270,904)	47,029,411	(49,300,315)
23410000 A/P - Reconciliation Account	(1,191,263)	(292,749)	(898,515)
23410100 A/P Intercompany - Reconciliation Account	(508,574)	(265,070)	(243,504)
23411001 PCard Distributed-Clearing for Mapped Transactions	(9,382)	(8,251)	(1,131)
23430000 A/P - Miscellaneous	0	33,000	(33,000)
23430600 A/P - Workbasket Accrual	(104,825)	(60,503)	(44,322)
23430700 A/P - Pcard Accrual	(8,276)	12,458	(20,734)
23431000 A/P - Misc Global	(46,459)	51,750	(98,209)
23435000 A/P - Project Cost Accrual	(1,943,842)	263,249	(2,207,091)
23436000 A/P-GRIR Capital Services	(20,336)	(9,095)	(11,241)
Total: Accounts payable external	(3,832,959)	(275,212)	(3,557,747)

Tennessee American Water Company
Trial Balance as of February 28, 2022

Description	February 2022 Balance	Activity	Prior Year Balance
23510000 A/P Associated Companies	(3,759)	1,712	(5,471)
23520000 A/P Associated Companies - Service Co Bill	821,485	(46,238)	867,723
23520001 A/P Associated Companies - Service Co Bill	(914,297)	(130,519)	(783,778)
23530000 CFO - WLPP Interco	0	90	(90)
23530100 CFO - SLPP Interco	0	36	(36)
23530200 CFO - InHome Interco	0	27	(27)
23530300 CFO - WLPP/SLPP Interco	0	136	(136)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	36	(45)
23540000 CFO - WLPP Receivable Interco	0	0	0
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	74	0	74
23540100 CFO - SLPP Receivable Interco	(65)	(65)	0
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	64	0	64
23540200 CFO - InHome Receivable Interco	0	0	0
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	23	0	23
23540300 CFO - WLPP/SLPP Receivable Interco	0	0	0
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	126	0	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	(259)	0
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	45	0	45
Total: Accounts payable associated companies	(96,571)	(175,044)	78,474
Total: Accounts payable	(3,929,530)	(450,256)	(3,479,273)
23621000 Accrued FIT - Current Year	(1,132,053)	(1,083,779)	(48,274)
23622000 Accrued FIT - Prior Years	59,632	59,632	0
Total: Accrued federal income tax	(1,072,421)	(1,024,147)	(48,274)
23631000 Accrued SIT - Current Year	126,532	(325,368)	451,900
23632000 Accrued SIT - Prior Years	336,646	(534,948)	871,593
Total: Accrued state income tax	463,178	(860,316)	1,323,494
23652100 Accrued Tax - FICA	(58,869)	(5,282)	(53,587)
23653000 Accrued Tax - Property Tax	(835,004)	79,704	(914,708)
23654000 Accrued Tax - Use Tax	(3,227)	741	(3,967)
23654110 Accrued Tax - Franchise Tax - Income Tax	(854,099)	(43,166)	(810,933)
Total: Other accrued taxes	(1,751,198)	31,997	(1,783,195)
Total: Taxes accrued, including income taxes	(2,360,441)	(1,852,466)	(507,975)
23720000 Interest Accrued - LTD	(223,440)	0	(223,440)
23730000 Interest Accrued - LTD Interco	(1,479,478)	(121,875)	(1,357,603)
Total: Interest accrued	(1,702,918)	(121,875)	(1,581,043)
24120000 Accrued Vacation Pay	(253,727)	(7,425)	(246,302)
24120200 Accrued Power	(153,581)	(6,182)	(147,399)
24120300 Accrued Legal	(43,080)	6,937	(50,017)
24120600 Accrued Wages	(171,038)	(27,124)	(143,914)
24120699 Accrued Wages - Net Adjustments Clearing	(2,600)	4,350	(6,950)
24120700 Accrued Insurance	29,509	55,657	(26,148)
24120710 Accrued Insurance Retro Adjustment	0	0	0
24121000 Accrued Waste Disposal	(34,278)	(7,890)	(26,388)
24121100 Accrued Retiree Medical	(6,432)	(93)	(6,340)
24121200 Accrued DCP - Contribution	(19,679)	(1,101)	(18,578)
24121400 Accrued Bank Fees	(13,440)	3,088	(16,527)
24121800 Accrued Severance	0	0	0
24122500 Refund Rates Under Bond	(231,549)	(90,281)	(141,268)

Tennessee American Water Company
Trial Balance as of February 28, 2022

Description	February 2022 Balance	Activity	Prior Year Balance
24122700 Accrued Employer 401k Match	(14,142)	(763)	(13,379)
24123000 Accrued Incentive Plan Cash	(600,915)	(45,418)	(555,498)
24126000 Miscellaneous Deposits Payable	0	0	0
24126200 Accrued Paving	(23,643)	(23,643)	0
24133000 Unclaimed Customer Credits	(19,579)	(18,257)	(1,323)
24133200 Unclaimed A/P Checks	(12,590)	0	(12,590)
24142006 WH PR - 401k Contributions	(23,342)	(1,573)	(21,769)
24142014 WH PR - ESPP	(17,373)	(1,894)	(15,479)
24150000 Operating Lease Current Liability	(918)	(20)	(897)
24161000 GRIR - Stock E (Materials)	(114,654)	(6,425)	(108,229)
24163000 GRIR - Stock C (Chemicals)	(87,589)	(28,210)	(59,379)
24164000 GRIR - Non-inventory	(296,459)	230,228	(526,687)
24171000 CFO Miscellaneous	(17)	(17)	0
24171006 CFO Customer Assistance Pledged	(329)	(41)	(288)
24172000 CFO Sales Tax	30,751,344	4,036,514	26,714,831
24172100 CFO Sales Tax - from CIS	(31,035,419)	(4,034,749)	(27,000,670)
24199100 Reg Liab-OCL taxable	(231,110)	(231,110)	0
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	(545,105)	(545,105)	0
24199700 Deferred Revenue - Current Portion	(291,528)	(37,982)	(253,546)
24199900 Other Current Liabilities - Non-Tax Sensitive	0	0	0
25299900 Advances for Construction - Current	(616,578)	(238,859)	(377,719)
Total: Other current liabilities	(4,079,841)	(1,017,387)	(3,062,453)
Total: Total Current Liabilities	(14,343,634)	43,587,426	(57,931,060)
25211000 Advances for Construction - NT Mains	(557,179)	(517,165)	(40,014)
25212000 Advances for Construction - NT Extension Deposits	(1,158,956)	714,990	(1,873,946)
25215000 Advances for Construction - NT Hydrants	(39,603)	(18,625)	(20,978)
25217000 Advances for Construction - NT WIP	(2,755,523)	(2,755,523)	0
25221000 Advances for Construction - Tax Mains	(1,410,424)	(379,749)	(1,030,675)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	19,962	(81,250)
25223000 Advances for Construction - Tax Services	(21,776)	365,571	(387,347)
25225000 Advances for Construction - Tax Hydrants	(40,460)	(26,018)	(14,443)
25227000 Advances for Construction - Tax WIP	(114,873)	1,695,183	(1,810,056)
25241000 Advances for Construction - Tax Mains - FIT	(1,262,904)	(375,754)	(887,150)
25243000 Advances for Construction - Tax Services - FIT	(22)	(22)	0
25245000 Advances for Construction - Tax Hydrants - FIT	(40,440)	(21,484)	(18,956)
25280000 Advances for Construction - Reclassed to Current	616,578	238,859	377,719
Total: Customer Advances for construction	(6,846,871)	(1,059,774)	(5,787,096)
25310000 Deferred FIT Liability – Property	(17,668)	0	(17,668)
25311000 Deferred FIT Liability – Non Property	(27,915,610)	(1,444,985)	(26,470,625)
Total: Federal Deferred income taxes long-term	(27,933,278)	(1,444,985)	(26,488,293)
25321000 Deferred SIT Liability – Non Property	(8,124,668)	(601,168)	(7,523,500)
Total: State Deferred income taxes long-term	(8,124,668)	(601,168)	(7,523,500)
Total: Deferred income taxes	(36,057,946)	(2,046,153)	(34,011,793)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(20,890)	4,764	(25,654)
25510300 Unamortized ITC - 10%	(19,619)	68,508	(88,127)
Total: Deferred investment tax credits	(40,509)	73,272	(113,781)
25700000 Reg Liab - Cost of Removal	16,842,870	3,164,668	13,678,202

Tennessee American Water Company
Trial Balance as of February 28, 2022

Description	February 2022 Balance	Activity	Prior Year Balance
25710000 Reg Liab - Cost of Removal RWIP	874,922	(912,503)	1,787,424
Total: Reg liability - cost of removal	17,717,791	2,252,166	15,465,626
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(16,626,896)	2,460,736	(19,087,632)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	(217,441)	11,778	(229,219)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	255,487	(13,851)	269,338
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	118,477	(6,621)	125,098
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(0)	0	(0)
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	(7,393)	1,457	(8,849)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	(6,942)	21,678	(28,619)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	0	0	0
25632300 Reg Liab-Tax Cuts & Jobs Act Customer Refunds - LT	0	1,635,314	(1,635,314)
25632400 Reg Liab - Refund to Customers	0	0	0
25633000 Reg Liab - Pension Tracker	(1,634,459)	(514,980)	(1,119,479)
25636000 Reg Liab - Pandemic Costs	0	171,633	(171,633)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(815,400)	50,400	(865,800)
25689900 Reg Liab - Other	341,976	20,775	321,201
Total: Other regulatory liabilities	(18,592,589)	3,838,318	(22,430,908)
Total: Regulatory liabilities	(874,798)	6,090,484	(6,965,282)
26212000 Accrued Pension Expense	1,856,932	795,728	1,061,204
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	1,856,932	795,728	1,061,204
26221000 Accrued OPEB	2,980,751	1,254,777	1,725,974
26221500 Accrued OPEB Medicare Subsidy	(145,210)	(18,928)	(126,282)
Total: Accrued postretirement benefit expense	2,835,541	1,235,849	1,599,692
26300000 Operating Lease Long-Term Liability	(1,846)	918	(2,764)
Total: Operating lease long-term liabilities	(1,846)	918	(2,764)
26580000 FIN 48 Reserve - Federal	(459,133)	(474,677)	15,544
26581000 FIN 48 Reserve - State	(263,878)	(98,342)	(165,536)
Total: Other tax liabilities	(723,011)	(573,019)	(149,992)
Total: Other Deferred Credits	(723,011)	(573,019)	(149,992)
Total: Regulatory and other long-term liabilities	(39,852,508)	4,517,304	(44,369,813)
27111000 CIAC-Non Taxable - Mains	(6,035,464)	(109,227)	(5,926,236)
27112000 CIAC-Non Taxable - Ext Dep	(8,386,584)	(461,889)	(7,924,695)
27113000 CIAC-Non Taxable - Services	(492,638)	0	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,323,879)	(31,075)	(1,292,804)
27116000 CIAC-Non Taxable - Other	(3,083,061)	(104,000)	(2,979,061)
27117000 CIAC-Non Taxable - WIP	(181,724)	(181,724)	0
27121000 CIAC-Taxable - Mains	(2,330,500)	(73,395)	(2,257,105)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,604,260)	(319,331)	(2,284,929)
27124000 CIAC-Taxable - Meters	(109,371)	(1,001)	(108,370)
27125000 CIAC-Taxable - Hydrants	(292,366)	(5,569)	(286,797)
27127000 CIAC-Taxable - WIP	(135,424)	185,207	(320,631)
27141000 CIAC-Taxable - Mains FIT	(378,427)	(22,753)	(355,673)
27143000 CIAC-Taxable - Services FIT	(42,045)	(41,948)	(97)
27145000 CIAC-Taxable - Hydrants FIT	(38,075)	3,770	(41,845)
27206000 Accum Amort CIAC - Other	5,544,624	248,026	5,296,598

Tennessee American Water Company
Trial Balance as of February 28, 2022

Description	February 2022 Balance	Activity	Prior Year Balance
27210000 Accum Amort CIAC - Tax	1,113,506	75,515	1,037,991
Total: Contributions in aid of construction	(18,891,531)	(839,395)	(18,052,137)
Total: CAPITAL AND LIABILITIES	(308,493,014)	(5,185,953)	(303,307,061)
Total: BALANCE SHEET (Net Profit)	1,799,187	250,251	1,548,936

Tennessee American Water Company
Trial Balance as of March 31, 2022

Description	March 2022 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	(6,509)	645,474
10130360 UPIS - Land & Land Rights - Admin & General	1,765,791	0	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	691,278	10,702	680,576
10130420 UPIS - Struct & Imp - Pumping	7,154,065	(13,582)	7,167,648
10130430 UPIS - Struct & Imp - Water Treatment	18,583,775	(856)	18,584,632
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,224,884	184,919	4,039,965
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	767,741	0	767,741
10131120 UPIS - Pumping Equipment - Electric	5,176,969	52,257	5,124,712
10131130 UPIS - Pumping Equipment - Diesel	119,296	0	119,296
10131150 UPIS - Pumping Equipment - Other	1,209,824	639,772	570,052
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	(2,714)	2,622,912
10132010 UPIS - Water Treatment Equipment	27,578,110	(461,758)	28,039,868
10133000 UPIS - Distribution Reservoirs & Standpipes	14,800,077	(0)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	154,071,661	4,634,002	149,437,659
10133300 UPIS - Services	32,491,086	498,321	31,992,765
10133410 UPIS - Meters	17,601,783	1,998,461	15,603,321
10133420 UPIS - Meter Installations	21,331,551	589,677	20,741,873
10133500 UPIS - Hydrants	11,968,263	792,206	11,176,058
10133910 UPIS - Other P/E - Intangible	401,055	0	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	16,729,840	4,020,047	12,709,793
10134100 UPIS - Transportation Equipment	6,571,923	661,305	5,910,618
10134200 UPIS - Stores Equipment	0	(24,072)	24,072
10134300 UPIS - Tools-Shop-Garage Equipment	787,642	151,963	635,679
10134400 UPIS - Laboratory Equipment	157,380	3,705	153,675
10134500 UPIS - Power Operated Equipment	379,488	92,905	286,583
10134600 UPIS - Communication Equipment	2,089,832	73,717	2,016,115
10134700 UPIS - Misc Equipment	466,677	3,894	462,783
10134800 UPIS - Other Tangible Property	4,918	0	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10400000 Utility Plant Purchased or Sold	0	0	0
10630360 CCNC Land & Land Rights - Adm & Gen	896,090	0	896,090
10630410 CCNC Struct & Imp - Source of Supply	13,325	1,897	11,427
10630420 CCNC Struct & Imp - Pumping	1,215,648	526,496	689,152
10630430 CCNC Struct & Imp - Water Treatment	14,276,940	2,444,381	11,832,559
10630440 CCNC Struct & Imp - Transmission & Distribution	106,686	0	106,686
10630450 CCNC Struct & Imp - Admin & General	895,850	101,153	794,696
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	33,741	1,315,304
10631000 CCNC Power Generation Equipment	88,376	88,376	0
10631120 CCNC Pumping Equipment - Electric	77,582	38,012	39,570
10631150 CCNC Pumping Equipment - Other	4,908,830	3,264,729	1,644,101
10631152 CCNC Pumping Equipment - Source of Supply	0	(3,449)	3,449

Tennessee American Water Company
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Description	March 2022 Balance	Activity	Prior Year Balance
10632010 CCNC - Water Treatment Equipment - Non-Media	2,050,769	5,405	2,045,364
10633000 CCNC - Distribution Reservoirs & Standpipes	3,777,027	1,111,499	2,665,528
10633100 CCNC - Transmssn & Distr Mains Not Classified	20,572,494	2,330,682	18,241,812
10633300 CCNC Services	266,737	(88,881)	355,618
10633410 CCNC Meters	3,791,872	1,041,487	2,750,385
10633420 CCNC Meter Installations	1,445,884	678,397	767,487
10633500 CCNC Hydrants	1,084,875	754,055	330,819
10633910 CCNC Other P/E Intangible	1,179,406	1,049,122	130,284
10634010 CCNC Office Furniture & Equipment	4,583,780	(1,733,021)	6,316,800
10634100 CCNC Transportation Equipment Not Classified	2,075,790	519,698	1,556,092
10634300 CCNC Tools-Shop-Garage Equipment	120,100	(47,894)	167,995
10634400 CCNC Laboratory Equipment	0	(3,705)	3,705
10634500 CCNC Power Operated Equipment	0	(92,905)	92,905
10634600 CCNC Communication Equipment	138,068	79,238	58,830
10634700 CCNC Misc Equipment	50,641	0	50,641
10634800 CCNC Other Tangible Property	15,821	0	15,821
Total: Utility plant in service	418,601,201	25,996,876	392,604,325
10700000 CWIP	4,831,335	61,763	4,769,572
10780110 CWIP - Eng Clearing Dist Overhead	415,888	445,124	(29,237)
10780120 CWIP - Eng Clearing Eng Overhead	2,233	1,955	279
10780160 CWIP - Suspended CWIP Reserve	(22,825)	(261)	(22,564)
10780170 CWIP-T&I Indirect OH Clearing	0	0	0
Total: Construction work in progress	5,226,631	508,582	4,718,050
10801000 Accum Depreciation - Utility Plant in Service	(165,561,067)	(10,430,003)	(155,131,064)
10802000 Accum Depreciation - Salvage/Scrap	(4,745,104)	(174,174)	(4,570,930)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	47,336,832	1,488,868	45,847,964
10810000 Accum Depreciation - Reg Asset	(34,217)	(1,940)	(32,277)
Total: Accumulated depreciation/amortization	(123,013,415)	(9,117,249)	(113,896,166)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	297,064,838	17,388,208	279,676,629
Total: Total Property Plant & Equipment	297,064,838	17,388,208	279,676,629
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	130	16	114
13140103 PNC AWCC-Accounts Payable - Outbound Check	(323,157)	(34,455)	(288,702)
13140202 PNC AWCC-Payroll - Outbound ACH	0	0	0
13140203 PNC AWCC-Payroll - Outbound Check	0	0	0
13140303 PNC AWCC-Customer Refund - Outbound Check	(234,783)	(12,055)	(222,728)
13162600 US Bank TN - Main	167,011	76,158	90,853
13162608 US Bank TN - Customer Lockbox	480	480	0
13162609 US Bank TN - Credit Card and E-Checks	114,186	31,911	82,276
13162610 US Bank TN - Firstech Collections	591	134	457
13162611 US Bank TN - FiServ (aka CheckFree)	3,906	(1,327)	5,233
13162612 US Bank TN - Penn Credit	0	0	0
13162613 US Bank TN - E-Return - US Bank	131	131	0
13162614 US Bank TN -Credit Card & Echeck E-Returns	(233)	(233)	0
13162616 US Bank TN - NSF Return Payments	98	(27)	125

Tennessee American Water Company
Trial Balance as of March 31, 2022

Description	March 2022 Balance	Activity	Prior Year Balance
13199004 Cash Clearing - MI's	(681)	(681)	0
Total: Cash and cash equivalents	(270,319)	60,052	(330,371)
14100000 A/R - Customer - CIS Reconciliation	3,268,277	(215,155)	3,483,432
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	403,529	(66,578)	470,107
14100998 A/R - Customer - Payment Clarification	(269)	(156)	(113)
14100999 A/R - Customer - Returns Clarification	0	0	0
Total: Utility customer accounts receivable	3,671,537	(281,889)	3,953,426
14510000 A/R Assoc Cos - Miscellaneous	(283,775)	(117,159)	(166,617)
14510041 AR Associated Cos - AWI IOTG	160,307	160,307	0
14510100 A/R Assoc Cos - Reconciliation Account	571,358	352,821	218,536
14511001 A/R Assoc Cos - Service Company Bill	157,969	103,917	54,052
14573000 A/R Assoc Cos - Dividend Equivalents	0	0	0
Total: Receivable from affiliated companies	605,858	499,887	105,972
14610000 Misc A/R - Reconciliation Account	549,808	(14,591)	564,399
14611000 Misc A/R - Manual	1,440	11	1,429
14611200 Misc A/R - Retro Insurance	0	(69,166)	69,166
14611500 Misc A/R - Medicare Subsidy	63,654	1,305	62,348
14613000 Misc A/R - Employees	(28)	86	(114)
Total: Other receivables, net	614,874	(82,355)	697,229
14300000 Allowance for Uncollectible Accounts	(400,823)	170,542	(571,366)
14620000 Misc Rec - Allow for Uncollectible Accts	(21,718)	775	(22,493)
Total: Allowance for uncollectible accounts	(422,542)	171,317	(593,859)
Total: Accounts receivable, net	4,469,728	306,960	4,162,768
14400000 Unbilled Utility Revenue	2,402,384	317,746	2,084,639
Total: Unbilled revenues	2,402,384	317,746	2,084,639
15110000 Inventory - Plant Material	1,076,728	239,813	836,915
15130000 Inventory - Chemicals	166,546	34,177	132,369
15140000 Inventory - Other Materials & Supplies	10,092	(25,544)	35,636
Total: Materials and supplies	1,253,365	248,446	1,004,919
16410000 Other Special Deposits	15,000	(1,000)	16,000
16510000 Prepaid Taxes	190,363	(44,478)	234,841
16520000 Prepaid Insurance	303,740	36,147	267,593
16530000 Prepaid PUC/PSC Assessment	182,850	29,090	153,760
16550000 Prepaid Other	0	(27,733)	27,733
16550010 Prepaid Other - Global	13,878	5,418	8,460
16611000 Reg Asset-OCA tax	170,812	(27,541)	198,353
Total: Other current assets	876,643	(30,098)	906,741
Total: Total Current Assets	8,731,802	903,106	7,828,696
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	83,985	34,295	49,690
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	1,791,386	0	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	3,121	3,121	0
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	145,733	(56,627)	202,360
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	1,012	1,012	0
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	2,622,468	0	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	(703,889)	(37,958)	(665,931)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	(3,943,816)	56,158	(3,999,973)
Total: Reg asset - income tax recovery	0	0	0
18661000 Reg Asset - Unamortized Debt Exp	9,994	(2,257)	12,251

Tennessee American Water Company
Trial Balance as of March 31, 2022

Description	March 2022 Balance	Activity	Prior Year Balance
18661500 Reg Asset - Unamortized Debt Exp Interco	1,254,715	87,307	1,167,408
Total: Debt and preferred stock expense	1,264,709	85,050	1,179,659
18680000 Reg Asset - Cost of Removal	16,867,842	3,148,125	13,719,718
18680100 Reg Asset - Cost of Removal - RWIP	976,486	(1,214,956)	2,191,443
18680101 Reg Asset - Deferred Vacation Pay	0	0	0
18680162 Reg Asset- Closing Costs	8,750	(1,000)	9,750
18680218 Regulatory Asset - "Make-Whole Premium"	179,873	(28,032)	207,905
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18680228 Reg Asset - Pandemic Costs	0	(673,655)	673,655
18689900 Reg Asset - Other	392,353	134,720	257,632
Total: Other regulatory assets	18,458,182	1,365,201	17,092,980
Total: Regulatory assets	19,722,890	1,450,251	18,272,639
18750000 LT Asset - Operating Lease Right-Of-Use Assets	2,688	(899)	3,587
Total: Operating lease right-of-use assets	2,688	(899)	3,587
18715700 LT Asset - Unamort Debt In - Revolver	47,112	(15,704)	62,816
Total: Other long-term assets	47,112	(15,704)	62,816
Total: Total Regulatory and other long-term assets	19,772,690	1,433,648	18,339,042
Total: ASSETS	325,569,330	19,724,962	305,844,368
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(75,694,201)	(34,087,237)	(41,606,964)
Total: Paid-in capital	(75,694,201)	(34,087,237)	(41,606,964)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(43,831,434)	(3,419,573)	(40,411,861)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(43,340,466)	(3,419,573)	(39,920,894)
Total: Total Stockholders' equity	(132,788,903)	(37,506,810)	(95,282,093)
Total: Total Equity	(132,788,903)	(37,506,810)	(95,282,093)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	323,030	25,675	297,355
22115000 Bonds - Interco	(97,280,321)	(15,000,000)	(82,280,321)
Total: Long-term debt	(102,657,291)	(14,974,325)	(87,682,966)
Total: Total Long-term debt	(102,657,291)	(14,974,325)	(87,682,966)
Total: Total Capitalization	(235,446,193)	(52,481,135)	(182,965,059)
23140005 N/P Term Loans - Intercompany	0	0	0
Total: Current - Term Loans	0	0	0
23121000 In-House Cash Center Bank	(4,458,143)	34,734,804	(39,192,947)
23121001 IHC Clearing - Outgoing Payment	(16,725)	(36,613)	19,887
23121002 IHC Clearing - Incoming Payment	0	0	0
Total: In-House Cash Center	(4,474,869)	34,698,191	(39,173,060)
Total: Short-term debt	(4,474,869)	34,698,191	(39,173,060)
23410000 A/P - Reconciliation Account	(1,403,425)	(186,940)	(1,216,484)
23410100 A/P Intercompany - Reconciliation Account	(382,294)	(48,389)	(333,906)
23411001 PCard Distributed-Clearing for Mapped Transactions	(7,472)	13,631	(21,103)
23430000 A/P - Miscellaneous	(37,152)	18,848	(56,000)
23430600 A/P - Workbasket Accrual	(140,828)	(78,275)	(62,553)
23430700 A/P - Pcard Accrual	(17,302)	5,976	(23,278)
23431000 A/P - Misc Global	61,050	137,722	(76,672)

Tennessee American Water Company
Trial Balance as of March 31, 2022

Description	March 2022 Balance	Activity	Prior Year Balance
23435000 A/P - Project Cost Accrual	(2,028,694)	(243,343)	(1,785,352)
23436000 A/P-GRIR Capital Services	(189,809)	(79,361)	(110,448)
Total: Accounts payable external	(4,145,926)	(460,131)	(3,685,795)
23510000 A/P Associated Companies	283,375	116,880	166,495
23520000 A/P Associated Companies - Service Co Bill	854,170	89,023	765,147
23520001 A/P Associated Companies - Service Co Bill	(1,326,974)	(365,119)	(961,854)
23530000 CFO - WLPP Interco	0	90	(90)
23530100 CFO - SLPP Interco	0	36	(36)
23530200 CFO - InHome Interco	0	27	(27)
23530300 CFO - WLPP/SLPP Interco	0	136	(136)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	36	(45)
23540000 CFO - WLPP Receivable Interco	0	0	0
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	74	0	74
23540100 CFO - SLPP Receivable Interco	(65)	(65)	0
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	64	0	64
23540200 CFO - InHome Receivable Interco	0	0	0
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	23	0	23
23540300 CFO - WLPP/SLPP Receivable Interco	0	0	0
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	126	0	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	(259)	0
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	45	0	45
Total: Accounts payable associated companies	(189,428)	(159,216)	(30,212)
Total: Accounts payable	(4,335,355)	(619,348)	(3,716,007)
23621000 Accrued FIT - Current Year	(1,196,786)	(1,145,787)	(50,999)
23622000 Accrued FIT - Prior Years	59,632	59,724	(92)
Total: Accrued federal income tax	(1,137,154)	(1,086,063)	(51,091)
23631000 Accrued SIT - Current Year	112,895	129,544	(16,649)
23632000 Accrued SIT - Prior Years	336,646	(986,848)	1,323,494
Total: Accrued state income tax	449,541	(857,304)	1,306,845
23652100 Accrued Tax - FICA	(28,465)	(2,091)	(26,374)
23653000 Accrued Tax - Property Tax	(923,277)	283,075	(1,206,352)
23654000 Accrued Tax - Use Tax	(3,683)	328	(4,011)
23654110 Accrued Tax - Franchise Tax - Income Tax	(915,099)	(46,166)	(868,933)
Total: Other accrued taxes	(1,870,525)	235,146	(2,105,670)
Total: Taxes accrued, including income taxes	(2,558,137)	(1,708,221)	(849,916)
23720000 Interest Accrued - LTD	(37,240)	0	(37,240)
23730000 Interest Accrued - LTD Interco	(820,057)	(162,500)	(657,557)
Total: Interest accrued	(857,297)	(162,500)	(694,797)
24120000 Accrued Vacation Pay	(170,812)	27,541	(198,353)
24120200 Accrued Power	(165,956)	(12,734)	(153,222)
24120300 Accrued Legal	(15,655)	58,580	(74,235)
24120600 Accrued Wages	(253,529)	(27,285)	(226,244)
24120699 Accrued Wages - Net Adjustments Clearing	(2,600)	4,350	(6,950)
24120700 Accrued Insurance	7,948	56,874	(48,926)
24120710 Accrued Insurance Retro Adjustment	0	0	0
24121000 Accrued Waste Disposal	(50,903)	(4,596)	(46,307)
24121100 Accrued Retiree Medical	(7,350)	750	(8,100)
24121200 Accrued DCP - Contribution	(10,916)	(871)	(10,045)

Tennessee American Water Company
Trial Balance as of March 31, 2022

Description	March 2022 Balance	Activity	Prior Year Balance
24121400 Accrued Bank Fees	(9,281)	7,082	(16,363)
24121800 Accrued Severance	0	0	0
24122500 Refund Rates Under Bond	(261,008)	(20,937)	(240,070)
24122700 Accrued Employer 401k Match	(7,944)	(469)	(7,476)
24123000 Accrued Incentive Plan Cash	(130,450)	2,076	(132,526)
24126000 Miscellaneous Deposits Payable	0	0	0
24126200 Accrued Paving	(25,339)	(25,339)	0
24133000 Unclaimed Customer Credits	(19,593)	(18,258)	(1,334)
24133200 Unclaimed A/P Checks	(12,590)	0	(12,590)
24142006 WH PR - 401k Contributions	0	0	0
24142014 WH PR - ESPP	(4,952)	(514)	(4,438)
24150000 Operating Lease Current Liability	(919)	(20)	(899)
24161000 GRIR - Stock E (Materials)	(143,563)	(18,379)	(125,184)
24163000 GRIR - Stock C (Chemicals)	(78,895)	(27,731)	(51,164)
24164000 GRIR - Non-inventory	(346,174)	190,097	(536,272)
24171000 CFO Miscellaneous	(17)	(17)	0
24171006 CFO Customer Assistance Pledged	(383)	(37)	(346)
24172000 CFO Sales Tax	31,035,367	4,035,073	27,000,294
24172100 CFO Sales Tax - from CIS	(31,299,210)	(4,018,508)	(27,280,702)
24199100 Reg Liab-OCL taxable	(231,110)	(231,110)	0
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	(454,254)	(454,254)	0
24199700 Deferred Revenue - Current Portion	0	(1,077)	1,077
24199900 Other Current Liabilities - Non-Tax Sensitive	(403,529)	66,578	(470,107)
25299900 Advances for Construction - Current	(626,002)	(183,290)	(442,713)
Total: Other current liabilities	(3,689,621)	(596,425)	(3,093,195)
Total: Total Current Liabilities	(15,915,277)	31,611,697	(47,526,975)
25211000 Advances for Construction - NT Mains	(557,179)	(517,165)	(40,014)
25212000 Advances for Construction - NT Extension Deposits	(1,158,956)	714,990	(1,873,946)
25215000 Advances for Construction - NT Hydrants	(39,603)	(18,625)	(20,978)
25217000 Advances for Construction - NT WIP	(3,154,351)	(3,154,351)	0
25221000 Advances for Construction - Tax Mains	(1,410,424)	305,893	(1,716,317)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	19,962	(81,250)
25223000 Advances for Construction - Tax Services	(21,776)	363,102	(384,878)
25225000 Advances for Construction - Tax Hydrants	(40,460)	(18,115)	(22,346)
25227000 Advances for Construction - Tax WIP	(114,873)	339,353	(454,226)
25241000 Advances for Construction - Tax Mains - FIT	(1,262,904)	309,888	(1,572,792)
25243000 Advances for Construction - Tax Services - FIT	(22)	(22)	0
25245000 Advances for Construction - Tax Hydrants - FIT	(40,440)	(13,581)	(26,859)
25280000 Advances for Construction - Reclassed to Current	626,002	183,290	442,713
Total: Customer Advances for construction	(7,236,274)	(1,485,381)	(5,750,893)
25310000 Deferred FIT Liability – Property	377,562	395,230	(17,668)
25310100 Deferred FIT Liability - FAS109 Increment	(399,186)	(399,186)	0
25311000 Deferred FIT Liability – Non Property	(27,953,898)	(1,145,607)	(26,808,291)
25311100 Deferred FIT Liability - FAS109 Gross Up	(142,303)	(142,303)	0
Total: Federal Deferred income taxes long-term	(28,117,824)	(1,291,865)	(26,825,959)
25320000 Deferred SIT Liability - Property	(26)	(26)	0
25320100 Deferred SIT Liability - FAS109 Increment	(1,122)	(1,122)	0
25321000 Deferred SIT Liability – Non Property	(8,089,707)	(522,229)	(7,567,478)

Tennessee American Water Company
Trial Balance as of March 31, 2022

Description	March 2022 Balance	Activity	Prior Year Balance
Total: State Deferred income taxes long-term	(8,090,854)	(523,376)	(7,567,478)
Total: Deferred income taxes	(36,208,679)	(1,815,241)	(34,393,437)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(20,642)	4,615	(25,257)
25510300 Unamortized ITC - 10%	(24,246)	58,172	(82,418)
Total: Deferred investment tax credits	(44,887)	62,788	(107,675)
25700000 Reg Liab - Cost of Removal	0	0	0
25710000 Reg Liab - Cost of Removal RWIP	0	0	0
Total: Reg liability - cost of removal	0	0	0
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(16,548,759)	2,329,388	(18,878,147)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	(219,473)	9,143	(228,615)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	257,877	(10,752)	268,628
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	35,437	35,437	0
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	119,619	(5,140)	124,759
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	2,750	2,750	(0)
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	(7,673)	1,263	(8,936)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	(10,982)	18,180	(29,161)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	3,943,816	(56,158)	3,999,973
25632300 Reg Liab-Tax Cuts & Jobs Act Customer Refunds - LT	0	1,544,464	(1,544,464)
25632400 Reg Liab - Refund to Customers	0	0	0
25633000 Reg Liab - Pension Tracker	(1,696,359)	(537,762)	(1,158,597)
25636000 Reg Liab - Pandemic Costs	0	182,391	(182,391)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(815,400)	50,400	(865,800)
25689900 Reg Liab - Other	0	0	0
Total: Other regulatory liabilities	(14,939,146)	3,563,604	(18,502,751)
Total: Regulatory liabilities	(14,939,146)	3,563,604	(18,502,751)
26212000 Accrued Pension Expense	1,897,246	810,735	1,086,511
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	1,897,246	810,735	1,086,511
26221000 Accrued OPEB	3,380,380	1,558,694	1,821,686
26221500 Accrued OPEB Medicare Subsidy	(130,237)	(1,305)	(128,932)
Total: Accrued postretirement benefit expense	3,250,143	1,557,388	1,692,754
26300000 Operating Lease Long-Term Liability	(1,769)	919	(2,688)
Total: Operating lease long-term liabilities	(1,769)	919	(2,688)
26580000 FIN 48 Reserve - Federal	(481,143)	(497,771)	16,628
26581000 FIN 48 Reserve - State	(287,776)	(117,078)	(170,698)
Total: Other tax liabilities	(768,919)	(614,849)	(154,070)
Total: Other Deferred Credits	(768,919)	(614,849)	(154,070)
Total: Regulatory and other long-term liabilities	(54,052,287)	2,079,963	(56,132,250)
27111000 CIAC-Non Taxable - Mains	(6,035,464)	(109,227)	(5,926,236)
27112000 CIAC-Non Taxable - Ext Dep	(8,386,584)	(461,889)	(7,924,695)
27113000 CIAC-Non Taxable - Services	(492,638)	0	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,332,327)	(39,522)	(1,292,804)
27116000 CIAC-Non Taxable - Other	(3,083,061)	(104,000)	(2,979,061)
27117000 CIAC-Non Taxable - WIP	(212,564)	(212,564)	0
27121000 CIAC-Taxable - Mains	(2,315,925)	(48,640)	(2,267,284)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)

Tennessee American Water Company
Trial Balance as of March 31, 2022

Description	March 2022 Balance	Activity	Prior Year Balance
27123000 CIAC-Taxable - Services	(2,604,260)	(320,099)	(2,284,161)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(292,366)	(376)	(291,990)
27127000 CIAC-Taxable - WIP	(144,929)	155,208	(300,137)
27141000 CIAC-Taxable - Mains FIT	(393,002)	(27,915)	(365,087)
27143000 CIAC-Taxable - Services FIT	(42,045)	(40,714)	(1,331)
27145000 CIAC-Taxable - Hydrants FIT	(38,075)	479	(38,554)
27206000 Accum Amort CIAC - Other	5,565,868	248,789	5,317,079
27210000 Accum Amort CIAC - Tax	1,120,086	75,958	1,044,128
Total: Contributions in aid of construction	(18,912,499)	(884,511)	(18,027,988)
Total: CAPITAL AND LIABILITIES	(324,326,256)	(19,673,985)	(304,652,271)
Total: BALANCE SHEET (Net Profit)	1,243,074	50,977	1,192,097

Tennessee American Water Company
Trial Balance as of April 30, 2022

Description	April 2022 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	(6,509)	645,474
10130360 UPIS - Land & Land Rights - Admin & General	1,765,791	0	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	695,826	4,027	691,799
10130420 UPIS - Struct & Imp - Pumping	7,160,469	2,774	7,157,694
10130430 UPIS - Struct & Imp - Water Treatment	18,584,297	186	18,584,110
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,405,941	365,976	4,039,965
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	767,741	0	767,741
10131120 UPIS - Pumping Equipment - Electric	5,255,651	87,136	5,168,515
10131130 UPIS - Pumping Equipment - Diesel	119,296	0	119,296
10131150 UPIS - Pumping Equipment - Other	1,499,834	915,340	584,494
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	(2,714)	2,622,912
10132010 UPIS - Water Treatment Equipment	28,198,594	848,239	27,350,356
10133000 UPIS - Distribution Reservoirs & Standpipes	14,800,077	(0)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	154,927,102	4,873,307	150,053,795
10133300 UPIS - Services	32,506,065	475,830	32,030,235
10133410 UPIS - Meters	17,600,365	1,932,212	15,668,153
10133420 UPIS - Meter Installations	21,331,989	531,876	20,800,113
10133500 UPIS - Hydrants	11,989,846	731,304	11,258,542
10133910 UPIS - Other P/E - Intangible	401,055	0	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	17,608,994	4,862,183	12,746,811
10134100 UPIS - Transportation Equipment	6,747,972	837,354	5,910,618
10134200 UPIS - Stores Equipment	0	(24,072)	24,072
10134300 UPIS - Tools-Shop-Garage Equipment	813,870	178,191	635,679
10134400 UPIS - Laboratory Equipment	157,380	3,705	153,675
10134500 UPIS - Power Operated Equipment	379,488	92,905	286,583
10134600 UPIS - Communication Equipment	2,094,755	78,640	2,016,115
10134700 UPIS - Misc Equipment	479,285	16,503	462,783
10134800 UPIS - Other Tangible Property	4,918	0	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10400000 Utility Plant Purchased or Sold	0	0	0
10630360 CCNC Land & Land Rights - Adm & Gen	896,090	0	896,090
10630410 CCNC Struct & Imp - Source of Supply	8,759	4,230	4,529
10630420 CCNC Struct & Imp - Pumping	1,209,278	520,127	689,152
10630430 CCNC Struct & Imp - Water Treatment	14,274,010	2,421,449	11,852,561
10630440 CCNC Struct & Imp - Transmission & Distribution	0	(106,686)	106,686
10630450 CCNC Struct & Imp - Admin & General	713,083	(83,014)	796,097
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	30,714	1,318,331
10631000 CCNC Power Generation Equipment	88,376	88,376	0
10631120 CCNC Pumping Equipment - Electric	(1,100)	(1,100)	0

Tennessee American Water Company
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Description	April 2022 Balance	Activity	Prior Year Balance
10631150 CCNC Pumping Equipment - Other	4,630,332	2,949,573	1,680,759
10631152 CCNC Pumping Equipment - Source of Supply	0	(3,449)	3,449
10632010 CCNC - Water Treatment Equipment - Non-Media	1,999,627	(45,752)	2,045,379
10633000 CCNC - Distribution Reservoirs & Standpipes	3,777,027	1,124,962	2,652,065
10633100 CCNC - Transmssn & Distr Mains Not Classified	20,074,053	1,902,405	18,171,649
10633300 CCNC Services	353,250	39,149	314,100
10633410 CCNC Meters	3,879,810	1,133,188	2,746,622
10633420 CCNC Meter Installations	1,572,446	804,882	767,564
10633500 CCNC Hydrants	1,210,329	924,415	285,914
10633910 CCNC Other P/E Intangible	1,179,406	1,049,122	130,284
10634010 CCNC Office Furniture & Equipment	3,697,096	(2,605,229)	6,302,325
10634100 CCNC Transportation Equipment Not Classified	1,899,741	627,795	1,271,946
10634300 CCNC Tools-Shop-Garage Equipment	130,471	(50,280)	180,751
10634400 CCNC Laboratory Equipment	0	(3,705)	3,705
10634500 CCNC Power Operated Equipment	0	(92,905)	92,905
10634600 CCNC Communication Equipment	125,338	66,508	58,830
10634700 CCNC Misc Equipment	38,033	(12,609)	50,641
10634800 CCNC Other Tangible Property	15,821	0	15,821
Total: Utility plant in service	419,911,580	27,486,559	392,425,021
10700000 CWIP	6,448,694	920,939	5,527,755
10780110 CWIP - Eng Clearing Dist Overhead	402,947	374,211	28,735
10780120 CWIP - Eng Clearing Eng Overhead	4,380	4,101	279
10780160 CWIP - Suspended CWIP Reserve	(22,825)	(261)	(22,564)
10780170 CWIP-T&I Indirect OH Clearing	0	0	0
Total: Construction work in progress	6,833,197	1,298,991	5,534,206
10801000 Accum Depreciation - Utility Plant in Service	(166,483,837)	(10,505,405)	(155,978,431)
10802000 Accum Depreciation - Salvage/Scrap	(4,745,104)	(173,947)	(4,571,157)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	46,800,177	246,167	46,554,010
10810000 Accum Depreciation - Reg Asset	(34,310)	(2,033)	(32,277)
Total: Accumulated depreciation/amortization	(124,472,934)	(10,435,219)	(114,037,715)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	298,522,264	18,350,331	280,171,933
Total: Total Property Plant & Equipment	298,522,264	18,350,331	280,171,933
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	825	825	0
13140103 PNC AWCC-Accounts Payable - Outbound Check	(175,254)	49,673	(224,928)
13140202 PNC AWCC-Payroll - Outbound ACH	0	0	0
13140203 PNC AWCC-Payroll - Outbound Check	0	0	0
13140303 PNC AWCC-Customer Refund - Outbound Check	(50,957)	181,633	(232,590)
13162600 US Bank TN - Main	120,295	(54,918)	175,213
13162608 US Bank TN - Customer Lockbox	0	0	0
13162609 US Bank TN - Credit Card and E-Checks	132,221	33,916	98,305
13162610 US Bank TN - Firstech Collections	441	168	273
13162611 US Bank TN - FiServ (aka CheckFree)	5,383	1,066	4,317

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Description	April 2022 Balance	Activity	Prior Year Balance
13162612 US Bank TN - Penn Credit	524	318	206
13162613 US Bank TN - E-Return - US Bank	43,340	43,340	0
13162614 US Bank TN -Credit Card & Echeck E-Returns	(236)	3	(239)
13162616 US Bank TN - NSF Return Payments	148	61	87
13199004 Cash Clearing - MI's	0	0	0
Total: Cash and cash equivalents	78,731	256,087	(177,356)
14100000 A/R - Customer - CIS Reconciliation	4,038,892	(169,568)	4,208,460
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	0	0	0
14100998 A/R - Customer - Payment Clarification	0	3,318	(3,318)
14100999 A/R - Customer - Returns Clarification	0	0	0
Total: Utility customer accounts receivable	4,038,892	(166,250)	4,205,142
14510000 A/R Assoc Cos - Miscellaneous	0	0	0
14510041 AR Associated Cos - AWI IOTG	160,307	160,307	0
14510100 A/R Assoc Cos - Reconciliation Account	209,347	34,602	174,745
14511001 A/R Assoc Cos - Service Company Bill	146,784	134,492	12,292
14573000 A/R Assoc Cos - Dividend Equivalents	0	0	0
Total: Receivable from affiliated companies	516,439	329,402	187,037
14610000 Misc A/R - Reconciliation Account	614,816	(127,121)	741,936
14611000 Misc A/R - Manual	1,434	5	1,429
14611200 Misc A/R - Retro Insurance	0	(69,166)	69,166
14611500 Misc A/R - Medicare Subsidy	40,369	(24,629)	64,998
14613000 Misc A/R - Employees	0	0	0
Total: Other receivables, net	656,619	(220,911)	877,529
14300000 Allowance for Uncollectible Accounts	(398,131)	145,894	(544,024)
14620000 Misc Rec - Allow for Uncollectible Accts	(21,718)	775	(22,493)
Total: Allowance for uncollectible accounts	(419,849)	146,669	(566,517)
Total: Accounts receivable, net	4,792,101	88,910	4,703,191
14400000 Unbilled Utility Revenue	2,243,783	320,331	1,923,452
Total: Unbilled revenues	2,243,783	320,331	1,923,452
15110000 Inventory - Plant Material	1,063,560	236,968	826,593
15130000 Inventory - Chemicals	164,438	18,862	145,575
15140000 Inventory - Other Materials & Supplies	31,916	19,249	12,667
Total: Materials and supplies	1,259,914	275,079	984,835
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	129,639	(26,922)	156,561
16520000 Prepaid Insurance	346,782	38,609	308,172
16530000 Prepaid PUC/PSC Assessment	156,069	19,393	136,676
16550000 Prepaid Other	(26,219)	(50,593)	24,374
16550010 Prepaid Other - Global	16,387	17,191	(804)
16611000 Reg Asset-OCA tax	0	0	0
Total: Other current assets	637,657	(2,322)	639,978
Total: Total Current Assets	9,012,185	938,085	8,074,100
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	83,985	34,295	49,690
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	1,791,386	0	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	4,602	4,601	0
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	145,733	(50,335)	196,068

Tennessee American Water Company
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Description	April 2022 Balance	Activity	Prior Year Balance
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	1,491	1,491	0
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	2,622,468	0	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	(703,889)	(33,740)	(670,148)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	0	0	0
Total: Reg asset - income tax recovery	3,945,776	(43,688)	3,989,464
18661000 Reg Asset - Unamortized Debt Exp	9,806	(2,257)	12,063
18661500 Reg Asset - Unamortized Debt Exp Interco	1,248,601	86,865	1,161,736
Total: Debt and preferred stock expense	1,258,407	84,608	1,173,799
18680000 Reg Asset - Cost of Removal	0	0	0
18680100 Reg Asset - Cost of Removal - RWIP	0	0	0
18680101 Reg Asset - Deferred Vacation Pay	287,613	(28,755)	316,368
18680162 Reg Asset- Closing Costs	8,667	(1,000)	9,667
18680218 Regulatory Asset - "Make-Whole Premium"	177,537	(28,032)	205,569
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18680228 Reg Asset - Pandemic Costs	0	(564,082)	564,082
18689900 Reg Asset - Other	0	0	0
Total: Other regulatory assets	506,694	(621,869)	1,128,563
Total: Regulatory assets	5,710,876	(580,949)	6,291,826
18750000 LT Asset - Operating Lease Right-Of-Use Assets	2,613	(901)	3,513
Total: Operating lease right-of-use assets	2,613	(901)	3,513
18715700 LT Asset - Unamort Debt In - Revolver	45,803	(15,704)	61,507
Total: Other long-term assets	45,803	(15,704)	61,507
Total: Total Regulatory and other long-term assets	5,759,292	(597,554)	6,356,846
Total: ASSETS	313,293,741	18,690,862	294,602,879
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(75,668,603)	(34,061,639)	(41,606,964)
Total: Paid-in capital	(75,668,603)	(34,061,639)	(41,606,964)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(43,831,434)	(3,419,573)	(40,411,861)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(43,340,466)	(3,419,573)	(39,920,894)
Total: Total Stockholders' equity	(132,763,304)	(37,481,212)	(95,282,093)
Total: Total Equity	(132,763,304)	(37,481,212)	(95,282,093)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	321,568	25,556	296,012
22115000 Bonds - Interco	(97,280,321)	(15,000,000)	(82,280,321)
Total: Long-term debt	(102,658,753)	(14,974,444)	(87,684,309)
Total: Total Long-term debt	(102,658,753)	(14,974,444)	(87,684,309)
Total: Total Capitalization	(235,422,057)	(52,455,656)	(182,966,401)
23140005 N/P Term Loans - Intercompany	0	0	0
Total: Current - Term Loans	0	0	0
23121000 In-House Cash Center Bank	(5,386,562)	33,547,953	(38,934,515)
23121001 IHC Clearing - Outgoing Payment	2,471	46,624	(44,153)
23121002 IHC Clearing - Incoming Payment	0	1,505	(1,505)
Total: In-House Cash Center	(5,384,091)	33,596,082	(38,980,173)

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Description	April 2022 Balance	Activity	Prior Year Balance
Total: Short-term debt	(5,384,091)	33,596,082	(38,980,173)
23410000 A/P - Reconciliation Account	(1,344,701)	(248,987)	(1,095,715)
23410100 A/P Intercompany - Reconciliation Account	(374,555)	(147,463)	(227,092)
23411001 PCard Distributed-Clearing for Mapped Transactions	(10,749)	760	(11,509)
23430000 A/P - Miscellaneous	0	(5,276)	5,276
23430600 A/P - Workbasket Accrual	(134,439)	(45,694)	(88,745)
23430700 A/P - Pcard Accrual	(19,213)	(6,599)	(12,614)
23431000 A/P - Misc Global	(46,730)	16,957	(63,688)
23435000 A/P - Project Cost Accrual	(1,866,066)	92,792	(1,958,857)
23436000 A/P-GRIR Capital Services	(77,870)	377,781	(455,651)
Total: Accounts payable external	(3,874,324)	34,270	(3,908,595)
23510000 A/P Associated Companies	(1,741)	1,334	(3,075)
23520000 A/P Associated Companies - Service Co Bill	1,169,005	261,203	907,802
23520001 A/P Associated Companies - Service Co Bill	(894,482)	(54,877)	(839,605)
23530000 CFO - WLPP Interco	0	90	(90)
23530100 CFO - SLPP Interco	0	36	(36)
23530200 CFO - InHome Interco	0	27	(27)
23530300 CFO - WLPP/SLPP Interco	0	136	(136)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	36	(45)
23540000 CFO - WLPP Receivable Interco	0	0	0
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	74	0	74
23540100 CFO - SLPP Receivable Interco	(65)	(65)	0
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	64	0	64
23540200 CFO - InHome Receivable Interco	0	0	0
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	23	0	23
23540300 CFO - WLPP/SLPP Receivable Interco	0	0	0
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	126	0	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	(259)	0
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	45	0	45
Total: Accounts payable associated companies	272,782	207,660	65,123
Total: Accounts payable	(3,601,542)	241,930	(3,843,472)
23621000 Accrued FIT - Current Year	(1,269,374)	(1,185,750)	(83,624)
23622000 Accrued FIT - Prior Years	59,632	59,724	(92)
Total: Accrued federal income tax	(1,209,742)	(1,126,026)	(83,716)
23631000 Accrued SIT - Current Year	93,336	93,336	0
23632000 Accrued SIT - Prior Years	886,646	(436,848)	1,323,494
Total: Accrued state income tax	979,982	(343,512)	1,323,494
23652100 Accrued Tax - FICA	(33,267)	839	(34,106)
23653000 Accrued Tax - Property Tax	(1,281,335)	225,546	(1,506,881)
23654000 Accrued Tax - Use Tax	(5,087)	(1,389)	(3,698)
23654110 Accrued Tax - Franchise Tax - Income Tax	(976,099)	(49,166)	(926,933)
Total: Other accrued taxes	(2,295,789)	175,830	(2,471,619)
Total: Taxes accrued, including income taxes	(2,525,549)	(1,293,709)	(1,231,841)
23720000 Interest Accrued - LTD	(74,480)	0	(74,480)
23730000 Interest Accrued - LTD Interco	(1,066,141)	(203,125)	(863,016)
Total: Interest accrued	(1,140,621)	(203,125)	(937,496)

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Description	April 2022 Balance	Activity	Prior Year Balance
24120000 Accrued Vacation Pay	(287,613)	28,755	(316,368)
24120200 Accrued Power	(151,296)	(3,545)	(147,751)
24120300 Accrued Legal	(18,646)	26,282	(44,928)
24120600 Accrued Wages	(273,279)	14,001	(287,280)
24120699 Accrued Wages - Net Adjustments Clearing	(22,800)	(15,850)	(6,950)
24120700 Accrued Insurance	457	76,856	(76,399)
24120710 Accrued Insurance Retro Adjustment	0	0	0
24121000 Accrued Waste Disposal	(46,320)	(19,931)	(26,388)
24121100 Accrued Retiree Medical	(9,611)	1,180	(10,791)
24121200 Accrued DCP - Contribution	(12,105)	354	(12,458)
24121400 Accrued Bank Fees	(15,500)	2,143	(17,643)
24121800 Accrued Severance	0	38,009	(38,009)
24122500 Refund Rates Under Bond	(433,236)	(223,152)	(210,085)
24122700 Accrued Employer 401k Match	(8,646)	557	(9,203)
24123000 Accrued Incentive Plan Cash	(173,933)	269	(174,202)
24126000 Miscellaneous Deposits Payable	0	0	0
24126200 Accrued Paving	0	2,763	(2,763)
24133000 Unclaimed Customer Credits	(198,784)	(197,442)	(1,342)
24133200 Unclaimed A/P Checks	(13,518)	(928)	(12,590)
24142006 WH PR - 401k Contributions	0	0	0
24142014 WH PR - ESPP	(9,950)	(1,010)	(8,940)
24150000 Operating Lease Current Liability	(921)	(20)	(901)
24161000 GRIR - Stock E (Materials)	(233,445)	(87,746)	(145,698)
24163000 GRIR - Stock C (Chemicals)	(47,069)	(19,363)	(27,706)
24164000 GRIR - Non-inventory	(403,078)	(322,315)	(80,763)
24171000 CFO Miscellaneous	(17)	(17)	0
24171006 CFO Customer Assistance Pledged	(437)	(33)	(404)
24172000 CFO Sales Tax	31,299,103	4,020,511	27,278,592
24172100 CFO Sales Tax - from CIS	(31,667,860)	(4,050,300)	(27,617,560)
24199100 Reg Liab-OCL taxable	0	0	0
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	(363,403)	(363,403)	0
24199700 Deferred Revenue - Current Portion	(574,680)	(49,836)	(524,844)
24199900 Other Current Liabilities - Non-Tax Sensitive	0	0	0
25299900 Advances for Construction - Current	(626,002)	(183,290)	(442,713)
Total: Other current liabilities	(4,292,590)	(1,326,502)	(2,966,088)
Total: Total Current Liabilities	(16,944,394)	31,014,676	(47,959,070)
25211000 Advances for Construction - NT Mains	(557,564)	(531,716)	(25,849)
25212000 Advances for Construction - NT Extension Deposits	(1,152,223)	721,724	(1,873,946)
25215000 Advances for Construction - NT Hydrants	(38,470)	(18,435)	(20,035)
25217000 Advances for Construction - NT WIP	(2,885,251)	(2,885,251)	0
25221000 Advances for Construction - Tax Mains	(1,742,222)	(61,979)	(1,680,244)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	19,962	(81,250)
25223000 Advances for Construction - Tax Services	(111,274)	273,604	(384,878)
25225000 Advances for Construction - Tax Hydrants	(37,821)	(15,476)	(22,346)
25227000 Advances for Construction - Tax WIP	1,529	637,268	(635,739)
25241000 Advances for Construction - Tax Mains - FIT	(1,265,543)	307,249	(1,572,792)

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Description	April 2022 Balance	Activity	Prior Year Balance
25243000 Advances for Construction - Tax Services - FIT	(22)	(22)	0
25245000 Advances for Construction - Tax Hydrants - FIT	(37,802)	(10,943)	(26,859)
25280000 Advances for Construction - Reclassed to Current	626,002	183,290	442,713
Total: Customer Advances for construction	(7,261,949)	(1,380,725)	(5,881,224)
25310000 Deferred FIT Liability – Property	565,010	582,678	(17,668)
25310100 Deferred FIT Liability - FAS109 Increment	(588,510)	(588,510)	0
25311000 Deferred FIT Liability – Non Property	(28,167,164)	(1,267,609)	(26,899,555)
25311100 Deferred FIT Liability - FAS109 Gross Up	(209,794)	(209,794)	0
Total: Federal Deferred income taxes long-term	(28,400,458)	(1,483,234)	(26,917,223)
25320000 Deferred SIT Liability - Property	(38)	(38)	0
25320100 Deferred SIT Liability - FAS109 Increment	(1,654)	(1,654)	0
25321000 Deferred SIT Liability – Non Property	(8,190,667)	(511,853)	(7,678,814)
Total: State Deferred income taxes long-term	(8,192,359)	(513,545)	(7,678,814)
Total: Deferred income taxes	(36,592,816)	(1,996,779)	(34,596,037)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(20,147)	4,713	(24,860)
25510300 Unamortized ITC - 10%	(21,025)	55,684	(76,709)
Total: Deferred investment tax credits	(41,172)	60,397	(101,569)
25700000 Reg Liab - Cost of Removal	16,822,870	3,037,892	13,784,978
25710000 Reg Liab - Cost of Removal RWIP	1,219,231	(1,336,013)	2,555,244
Total: Reg liability - cost of removal	18,042,101	1,701,879	16,340,222
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(16,311,483)	2,359,309	(18,670,792)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	(219,473)	8,127	(227,600)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	257,877	(9,557)	267,434
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	52,243	52,243	0
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	119,619	(4,569)	124,188
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	4,054	4,054	(0)
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	(7,673)	1,123	(8,795)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	(10,982)	16,160	(27,141)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	0	0	0
25632300 Reg Liab-Tax Cuts & Jobs Act Customer Refunds - LT	0	1,453,613	(1,453,613)
25632400 Reg Liab - Refund to Customers	0	0	0
25633000 Reg Liab - Pension Tracker	(1,758,259)	(560,544)	(1,197,715)
25636000 Reg Liab - Pandemic Costs	0	182,391	(182,391)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(815,400)	50,400	(865,800)
25689900 Reg Liab - Other	455,326	86,495	368,831
Total: Other regulatory liabilities	(18,234,149)	3,639,246	(21,873,395)
Total: Regulatory liabilities	(192,048)	5,341,125	(5,533,173)
26212000 Accrued Pension Expense	1,938,924	827,106	1,111,818
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	1,938,924	827,106	1,111,818
26221000 Accrued OPEB	3,482,224	1,564,826	1,917,398
26221500 Accrued OPEB Medicare Subsidy	(132,380)	(798)	(131,582)
Total: Accrued postretirement benefit expense	3,349,844	1,564,027	1,785,816
26300000 Operating Lease Long-Term Liability	(1,691)	921	(2,613)
Total: Operating lease long-term liabilities	(1,691)	921	(2,613)

Tennessee American Water Company
Trial Balance as of April 30, 2022

Description	April 2022 Balance	Activity	Prior Year Balance
26580000 FIN 48 Reserve - Federal	(411,134)	(427,762)	16,628
26581000 FIN 48 Reserve - State	(259,766)	(89,068)	(170,698)
Total: Other tax liabilities	(670,900)	(516,830)	(154,070)
Total: Other Deferred Credits	(670,900)	(516,830)	(154,070)
Total: Regulatory and other long-term liabilities	(39,471,810)	3,899,242	(43,371,052)
27111000 CIAC-Non Taxable - Mains	(6,034,459)	(108,223)	(5,926,236)
27112000 CIAC-Non Taxable - Ext Dep	(8,386,584)	(461,889)	(7,924,695)
27113000 CIAC-Non Taxable - Services	(492,638)	0	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,332,239)	(39,435)	(1,292,804)
27116000 CIAC-Non Taxable - Other	(3,083,061)	(104,000)	(2,979,061)
27117000 CIAC-Non Taxable - WIP	(205,368)	(205,368)	0
27121000 CIAC-Taxable - Mains	(2,315,925)	(48,640)	(2,267,284)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,620,147)	(335,986)	(2,284,161)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(292,366)	(376)	(291,990)
27127000 CIAC-Taxable - WIP	(253,866)	62,793	(316,660)
27141000 CIAC-Taxable - Mains FIT	(393,002)	(27,915)	(365,087)
27143000 CIAC-Taxable - Services FIT	(42,045)	(40,714)	(1,331)
27145000 CIAC-Taxable - Hydrants FIT	(38,075)	479	(38,554)
27206000 Accum Amort CIAC - Other	5,587,128	249,568	5,337,560
27210000 Accum Amort CIAC - Tax	1,126,666	76,372	1,050,295
Total: Contributions in aid of construction	(19,001,195)	(983,333)	(18,017,863)
Total: CAPITAL AND LIABILITIES	(310,839,456)	(18,525,070)	(292,314,386)
Total: BALANCE SHEET (Net Profit)	2,454,285	165,793	2,288,493

Tennessee American Water Company
Trial Balance as of May 31, 2022

Description	May 2022 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	(6,509)	645,474
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	896,090	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	695,826	4,027	691,799
10130420 UPIS - Struct & Imp - Pumping	7,356,206	198,512	7,157,694
10130430 UPIS - Struct & Imp - Water Treatment	18,584,297	186	18,584,110
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,405,941	365,976	4,039,965
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	88,376	767,741
10131120 UPIS - Pumping Equipment - Electric	5,255,651	87,136	5,168,515
10131130 UPIS - Pumping Equipment - Diesel	119,296	0	119,296
10131150 UPIS - Pumping Equipment - Other	1,499,248	914,754	584,494
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	(2,714)	2,622,912
10132010 UPIS - Water Treatment Equipment	28,190,964	842,479	27,348,484
10133000 UPIS - Distribution Reservoirs & Standpipes	14,800,077	(0)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	155,105,288	4,991,937	150,113,351
10133300 UPIS - Services	32,522,885	525,962	31,996,923
10133410 UPIS - Meters	17,604,320	1,935,439	15,668,881
10133420 UPIS - Meter Installations	21,338,416	537,780	20,800,636
10133500 UPIS - Hydrants	12,005,869	690,734	11,315,134
10133910 UPIS - Other P/E - Intangible	401,055	0	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	17,811,012	5,064,202	12,746,811
10134100 UPIS - Transportation Equipment	6,801,829	891,211	5,910,618
10134200 UPIS - Stores Equipment	0	(24,072)	24,072
10134300 UPIS - Tools-Shop-Garage Equipment	815,620	179,940	635,679
10134400 UPIS - Laboratory Equipment	157,380	3,705	153,675
10134500 UPIS - Power Operated Equipment	379,488	92,905	286,583
10134600 UPIS - Communication Equipment	2,105,835	86,877	2,018,958
10134700 UPIS - Misc Equipment	477,331	14,549	462,783
10134800 UPIS - Other Tangible Property	4,918	0	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10400000 Utility Plant Purchased or Sold	0	0	0
10630360 CCNC Land & Land Rights - Adm & Gen	0	(896,090)	896,090
10630410 CCNC Struct & Imp - Source of Supply	17,867	13,338	4,529
10630420 CCNC Struct & Imp - Pumping	998,159	309,008	689,152
10630430 CCNC Struct & Imp - Water Treatment	14,273,912	2,417,310	11,856,602
10630440 CCNC Struct & Imp - Transmission & Distribution	0	(106,686)	106,686
10630450 CCNC Struct & Imp - Admin & General	713,083	(123,147)	836,229
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	30,963	1,318,082
10631000 CCNC Power Generation Equipment	0	0	0
10631120 CCNC Pumping Equipment - Electric	(2,732)	(2,732)	0

Tennessee American Water Company
Trial Balance as of May 31, 2022

Description	May 2022 Balance	Activity	Prior Year Balance
10631150 CCNC Pumping Equipment - Other	4,701,334	3,010,562	1,690,772
10631152 CCNC Pumping Equipment - Source of Supply	0	(3,449)	3,449
10632010 CCNC - Water Treatment Equipment - Non-Media	2,090,227	(43,425)	2,133,653
10633000 CCNC - Distribution Reservoirs & Standpipes	3,782,561	1,130,497	2,652,065
10633100 CCNC - Transmssn & Distr Mains Not Classified	20,316,108	1,248,229	19,067,880
10633300 CCNC Services	404,066	22,584	381,483
10633410 CCNC Meters	4,025,790	1,210,395	2,815,395
10633420 CCNC Meter Installations	1,678,348	846,639	831,709
10633500 CCNC Hydrants	1,181,062	903,139	277,923
10633910 CCNC Other P/E Intangible	1,179,406	1,049,122	130,284
10634010 CCNC Office Furniture & Equipment	3,625,617	(2,675,432)	6,301,049
10634100 CCNC Transportation Equipment Not Classified	1,911,689	562,653	1,349,036
10634300 CCNC Tools-Shop-Garage Equipment	134,417	(57,972)	192,389
10634400 CCNC Laboratory Equipment	0	(3,705)	3,705
10634500 CCNC Power Operated Equipment	0	(92,905)	92,905
10634600 CCNC Communication Equipment	114,258	55,428	58,830
10634700 CCNC Misc Equipment	38,033	(12,609)	50,641
10634800 CCNC Other Tangible Property	15,821	0	15,821
Total: Utility plant in service	420,999,479	27,171,197	393,828,282
10700000 CWIP	7,510,440	686,470	6,823,970
10780110 CWIP - Eng Clearing Dist Overhead	403,834	378,660	25,174
10780120 CWIP - Eng Clearing Eng Overhead	5,201	4,739	462
10780160 CWIP - Suspended CWIP Reserve	(22,825)	(261)	(22,564)
10780170 CWIP-T&I Indirect OH Clearing	0	0	0
Total: Construction work in progress	7,896,651	1,069,609	6,827,042
10801000 Accum Depreciation - Utility Plant in Service	(167,408,401)	(10,585,708)	(156,822,693)
10802000 Accum Depreciation - Salvage/Scrap	(4,745,104)	(173,947)	(4,571,157)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	46,816,042	220,891	46,595,151
10810000 Accum Depreciation - Reg Asset	(34,403)	(2,126)	(32,277)
Total: Accumulated depreciation/amortization	(125,381,725)	(10,540,890)	(114,840,835)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	299,764,826	17,699,917	282,064,910
Total: Total Property Plant & Equipment	299,764,826	17,699,917	282,064,910
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	47	(425)	472
13140103 PNC AWCC-Accounts Payable - Outbound Check	(94,080)	193,224	(287,303)
13140202 PNC AWCC-Payroll - Outbound ACH	0	0	0
13140203 PNC AWCC-Payroll - Outbound Check	0	0	0
13140303 PNC AWCC-Customer Refund - Outbound Check	(51,344)	162,708	(214,052)
13162600 US Bank TN - Main	423,620	254,045	169,575
13162608 US Bank TN - Customer Lockbox	0	0	0
13162609 US Bank TN - Credit Card and E-Checks	54,869	(56,576)	111,445
13162610 US Bank TN - Firstech Collections	907	670	237
13162611 US Bank TN - FiServ (aka CheckFree)	11,244	(5,617)	16,861

Tennessee American Water Company
Trial Balance as of May 31, 2022

Description	May 2022 Balance	Activity	Prior Year Balance
13162612 US Bank TN - Penn Credit	0	(406)	406
13162613 US Bank TN - E-Return - US Bank	200	200	0
13162614 US Bank TN -Credit Card & Echeck E-Returns	0	352	(352)
13162616 US Bank TN - NSF Return Payments	0	(89)	89
13199004 Cash Clearing - MI's	0	0	0
Total: Cash and cash equivalents	347,462	548,086	(200,623)
14100000 A/R - Customer - CIS Reconciliation	3,753,278	(509,524)	4,262,802
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	0	0	0
14100998 A/R - Customer - Payment Clarification	0	(104)	104
14100999 A/R - Customer - Returns Clarification	0	(80)	80
Total: Utility customer accounts receivable	3,753,278	(509,708)	4,262,986
14510000 A/R Assoc Cos - Miscellaneous	0	0	0
14510041 AR Associated Cos - AWI IOTG	160,307	160,307	0
14510100 A/R Assoc Cos - Reconciliation Account	226,638	16,467	210,171
14511001 A/R Assoc Cos - Service Company Bill	70,175	(45,238)	115,413
14573000 A/R Assoc Cos - Dividend Equivalents	0	0	0
Total: Receivable from affiliated companies	457,120	131,536	325,584
14610000 Misc A/R - Reconciliation Account	780,265	213,579	566,686
14611000 Misc A/R - Manual	1,431	5	1,426
14611200 Misc A/R - Retro Insurance	0	(69,166)	69,166
14611500 Misc A/R - Medicare Subsidy	42,512	(13,278)	55,790
14613000 Misc A/R - Employees	0	0	0
Total: Other receivables, net	824,208	131,140	693,068
14300000 Allowance for Uncollectible Accounts	(411,389)	144,769	(556,158)
14620000 Misc Rec - Allow for Uncollectible Accts	(21,718)	775	(22,493)
Total: Allowance for uncollectible accounts	(433,107)	145,544	(578,651)
Total: Accounts receivable, net	4,601,499	(101,487)	4,702,987
14400000 Unbilled Utility Revenue	2,646,820	471,529	2,175,291
Total: Unbilled revenues	2,646,820	471,529	2,175,291
15110000 Inventory - Plant Material	1,142,520	371,210	771,310
15130000 Inventory - Chemicals	192,982	70,882	122,100
15140000 Inventory - Other Materials & Supplies	38,369	25,251	13,118
Total: Materials and supplies	1,373,870	467,343	906,527
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	68,914	(9,367)	78,280
16520000 Prepaid Insurance	282,767	23,708	259,059
16530000 Prepaid PUC/PSC Assessment	136,560	16,969	119,591
16550000 Prepaid Other	1,004	(20,010)	21,014
16550010 Prepaid Other - Global	21,805	11,998	9,807
16611000 Reg Asset-OCA tax	0	0	0
Total: Other current assets	526,050	23,298	502,752
Total: Total Current Assets	9,495,702	1,408,769	8,086,933
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	83,985	34,295	49,690
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	1,791,386	0	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	6,397	6,396	0
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	145,733	(44,043)	189,776

Tennessee American Water Company
Trial Balance as of May 31, 2022

Description	May 2022 Balance	Activity	Prior Year Balance
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	2,073	2,073	0
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	2,622,468	0	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	(703,889)	(29,523)	(674,366)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	0	0	0
Total: Reg asset - income tax recovery	3,948,153	(30,802)	3,978,955
18661000 Reg Asset - Unamortized Debt Exp	9,618	(2,257)	11,875
18661500 Reg Asset - Unamortized Debt Exp Interco	1,274,754	118,690	1,156,064
Total: Debt and preferred stock expense	1,284,371	116,433	1,167,939
18680000 Reg Asset - Cost of Removal	0	0	0
18680100 Reg Asset - Cost of Removal - RWIP	0	0	0
18680101 Reg Asset - Deferred Vacation Pay	287,613	(28,755)	316,368
18680162 Reg Asset- Closing Costs	8,583	(1,000)	9,583
18680218 Regulatory Asset - "Make-Whole Premium"	175,201	(28,032)	203,233
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18680228 Reg Asset - Pandemic Costs	0	(555,701)	555,701
18689900 Reg Asset - Other	0	0	0
Total: Other regulatory assets	504,275	(613,489)	1,117,763
Total: Regulatory assets	5,736,799	(527,858)	6,264,657
18750000 LT Asset - Operating Lease Right-Of-Use Assets	2,537	(902)	3,439
Total: Operating lease right-of-use assets	2,537	(902)	3,439
18715700 LT Asset - Unamort Debt In - Revolver	44,494	(15,704)	60,198
Total: Other long-term assets	44,494	(15,704)	60,198
Total: Total Regulatory and other long-term assets	5,783,830	(544,464)	6,328,294
Total: ASSETS	315,044,358	18,564,222	296,480,137
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(75,671,206)	(34,061,675)	(41,609,531)
Total: Paid-in capital	(75,671,206)	(34,061,675)	(41,609,531)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(43,831,434)	(3,419,573)	(40,411,861)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(43,340,466)	(3,419,573)	(39,920,894)
Total: Total Stockholders' equity	(132,765,907)	(37,481,248)	(95,284,659)
Total: Total Equity	(132,765,907)	(37,481,248)	(95,284,659)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	335,956	(1,807)	337,763
22115000 Bonds - Interco	(102,280,321)	(5,000,000)	(97,280,321)
Total: Long-term debt	(107,644,365)	(5,001,807)	(102,642,558)
Total: Total Long-term debt	(107,644,365)	(5,001,807)	(102,642,558)
Total: Total Capitalization	(240,410,272)	(42,483,055)	(197,927,218)
23140005 N/P Term Loans - Intercompany	0	0	0
Total: Current - Term Loans	0	0	0
23121000 In-House Cash Center Bank	871,624	22,108,541	(21,236,917)
23121001 IHC Clearing - Outgoing Payment	20,586	14,944	5,641
23121002 IHC Clearing - Incoming Payment	0	0	0
Total: In-House Cash Center	892,209	22,123,485	(21,231,276)

Tennessee American Water Company
Trial Balance as of May 31, 2022

Description	May 2022 Balance	Activity	Prior Year Balance
Total: Short-term debt	892,209	22,123,485	(21,231,276)
23410000 A/P - Reconciliation Account	(1,874,819)	(688,894)	(1,185,925)
23410100 A/P Intercompany - Reconciliation Account	(317,578)	(68,369)	(249,209)
23411001 PCard Distributed-Clearing for Mapped Transactions	(9,742)	2,180	(11,923)
23430000 A/P - Miscellaneous	0	34,000	(34,000)
23430600 A/P - Workbasket Accrual	(88,870)	(61,500)	(27,370)
23430700 A/P - Pcard Accrual	(13,865)	3,285	(17,150)
23431000 A/P - Misc Global	(52,338)	5,589	(57,927)
23435000 A/P - Project Cost Accrual	(1,781,775)	1,269,075	(3,050,850)
23436000 A/P-GRIR Capital Services	(79,944)	(15,587)	(64,357)
Total: Accounts payable external	(4,218,931)	479,779	(4,698,711)
23510000 A/P Associated Companies	(4,844)	495	(5,339)
23520000 A/P Associated Companies - Service Co Bill	747,697	(79,615)	827,312
23520001 A/P Associated Companies - Service Co Bill	(988,017)	(95,691)	(892,326)
23530000 CFO - WLPP Interco	0	90	(90)
23530100 CFO - SLPP Interco	0	36	(36)
23530200 CFO - InHome Interco	0	27	(27)
23530300 CFO - WLPP/SLPP Interco	0	136	(136)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	36	(45)
23540000 CFO - WLPP Receivable Interco	0	0	0
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	74	0	74
23540100 CFO - SLPP Receivable Interco	(65)	(65)	0
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	64	0	64
23540200 CFO - InHome Receivable Interco	0	0	0
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	23	0	23
23540300 CFO - WLPP/SLPP Receivable Interco	0	0	0
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	126	0	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	(259)	0
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	45	0	45
Total: Accounts payable associated companies	(245,163)	(174,810)	(70,353)
Total: Accounts payable	(4,464,095)	304,969	(4,769,064)
23621000 Accrued FIT - Current Year	(1,468,524)	(1,263,571)	(204,953)
23622000 Accrued FIT - Prior Years	59,632	59,724	(92)
Total: Accrued federal income tax	(1,408,892)	(1,203,847)	(205,045)
23631000 Accrued SIT - Current Year	67,012	67,012	0
23632000 Accrued SIT - Prior Years	886,646	(436,848)	1,323,494
Total: Accrued state income tax	953,657	(369,836)	1,323,494
23652100 Accrued Tax - FICA	(42,043)	522	(42,565)
23653000 Accrued Tax - Property Tax	(1,551,650)	255,760	(1,807,410)
23654000 Accrued Tax - Use Tax	1,021	3,378	(2,357)
23654110 Accrued Tax - Franchise Tax - Income Tax	(1,037,099)	(52,166)	(984,933)
Total: Other accrued taxes	(2,629,772)	207,494	(2,837,266)
Total: Taxes accrued, including income taxes	(3,085,006)	(1,366,189)	(1,718,817)
23720000 Interest Accrued - LTD	(111,720)	0	(111,720)
23730000 Interest Accrued - LTD Interco	(1,333,045)	(236,799)	(1,096,246)
Total: Interest accrued	(1,444,765)	(236,799)	(1,207,966)

Tennessee American Water Company
Trial Balance as of May 31, 2022

Description	May 2022 Balance	Activity	Prior Year Balance
24120000 Accrued Vacation Pay	(287,613)	28,755	(316,368)
24120200 Accrued Power	(176,656)	7,859	(184,515)
24120300 Accrued Legal	(18,283)	44,325	(62,608)
24120600 Accrued Wages	(342,754)	(29,343)	(313,411)
24120699 Accrued Wages - Net Adjustments Clearing	(1,650)	4,300	(5,950)
24120700 Accrued Insurance	(14,230)	70,132	(84,361)
24120710 Accrued Insurance Retro Adjustment	0	0	0
24121000 Accrued Waste Disposal	(53,430)	(27,042)	(26,388)
24121100 Accrued Retiree Medical	(12,003)	1,365	(13,368)
24121200 Accrued DCP - Contribution	(14,448)	(922)	(13,526)
24121400 Accrued Bank Fees	(14,944)	1,392	(16,335)
24121800 Accrued Severance	0	0	0
24122500 Refund Rates Under Bond	(403,405)	(194,050)	(209,355)
24122700 Accrued Employer 401k Match	(10,347)	(340)	(10,007)
24123000 Accrued Incentive Plan Cash	(217,416)	(38)	(217,378)
24126000 Miscellaneous Deposits Payable	0	0	0
24126200 Accrued Paving	(10,195)	(948)	(9,247)
24133000 Unclaimed Customer Credits	(202,470)	(201,118)	(1,352)
24133200 Unclaimed A/P Checks	(13,518)	(928)	(12,590)
24142006 WH PR - 401k Contributions	0	0	0
24142014 WH PR - ESPP	(14,960)	(1,532)	(13,428)
24150000 Operating Lease Current Liability	(923)	(21)	(902)
24161000 GRIR - Stock E (Materials)	(294,111)	(166,576)	(127,535)
24163000 GRIR - Stock C (Chemicals)	(97,464)	(74,970)	(22,494)
24164000 GRIR - Non-inventory	(337,728)	(280,989)	(56,740)
24171000 CFO Miscellaneous	(17)	(17)	0
24171006 CFO Customer Assistance Pledged	(491)	(29)	(462)
24172000 CFO Sales Tax	31,667,756	4,049,466	27,618,291
24172100 CFO Sales Tax - from CIS	(31,978,431)	(4,052,647)	(27,925,784)
24199100 Reg Liab-OCL taxable	0	0	0
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	(272,552)	(272,552)	0
24199700 Deferred Revenue - Current Portion	(287,340)	(24,918)	(262,422)
24199900 Other Current Liabilities - Non-Tax Sensitive	0	0	0
25299900 Advances for Construction - Current	(626,002)	(183,290)	(442,713)
Total: Other current liabilities	(4,035,626)	(1,304,679)	(2,730,947)
Total: Total Current Liabilities	(12,137,281)	19,520,788	(31,658,070)
25211000 Advances for Construction - NT Mains	(557,564)	(531,716)	(25,849)
25212000 Advances for Construction - NT Extension Deposits	(1,152,223)	692,783	(1,845,006)
25215000 Advances for Construction - NT Hydrants	(38,470)	(18,435)	(20,035)
25217000 Advances for Construction - NT WIP	(3,300,466)	(3,300,466)	0
25221000 Advances for Construction - Tax Mains	(1,736,078)	(62,592)	(1,673,486)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	19,962	(81,250)
25223000 Advances for Construction - Tax Services	(8,389)	376,489	(384,878)
25225000 Advances for Construction - Tax Hydrants	(43,966)	(21,902)	(22,064)
25227000 Advances for Construction - Tax WIP	(41,793)	2,842,865	(2,884,658)
25241000 Advances for Construction - Tax Mains - FIT	(1,259,398)	306,636	(1,566,034)

Tennessee American Water Company
Trial Balance as of May 31, 2022

Description	May 2022 Balance	Activity	Prior Year Balance
25243000 Advances for Construction - Tax Services - FIT	(22)	(22)	0
25245000 Advances for Construction - Tax Hydrants - FIT	(43,946)	(17,368)	(26,577)
25280000 Advances for Construction - Reclassed to Current	626,002	183,290	442,713
Total: Customer Advances for construction	(7,617,601)	469,524	(8,087,124)
25310000 Deferred FIT Liability – Property	792,337	810,005	(17,668)
25310100 Deferred FIT Liability - FAS109 Increment	(818,112)	(818,112)	0
25311000 Deferred FIT Liability – Non Property	(28,337,703)	(1,235,264)	(27,102,439)
25311100 Deferred FIT Liability - FAS109 Gross Up	(291,643)	(291,643)	0
Total: Federal Deferred income taxes long-term	(28,655,121)	(1,535,013)	(27,120,107)
25320000 Deferred SIT Liability - Property	(52)	(52)	0
25320100 Deferred SIT Liability - FAS109 Increment	(2,300)	(2,300)	0
25321000 Deferred SIT Liability – Non Property	(8,279,136)	(490,913)	(7,788,223)
Total: State Deferred income taxes long-term	(8,281,488)	(493,265)	(7,788,223)
Total: Deferred income taxes	(36,936,609)	(2,028,279)	(34,908,330)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(19,548)	4,915	(24,463)
25510300 Unamortized ITC - 10%	(17,119)	53,881	(71,000)
Total: Deferred investment tax credits	(36,666)	58,797	(95,463)
25700000 Reg Liab - Cost of Removal	16,784,224	2,973,789	13,810,435
25710000 Reg Liab - Cost of Removal RWIP	1,472,174	(1,270,224)	2,742,398
Total: Reg liability - cost of removal	18,256,398	1,703,565	16,552,833
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(16,023,728)	2,439,709	(18,463,437)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	(219,473)	7,111	(226,584)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	257,877	(8,363)	266,239
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	72,625	72,625	0
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	119,619	(3,998)	123,617
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	5,636	5,636	(0)
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	(7,673)	982	(8,655)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	(10,982)	14,140	(25,121)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	0	0	0
25632300 Reg Liab-Tax Cuts & Jobs Act Customer Refunds - LT	0	1,362,762	(1,362,762)
25632400 Reg Liab - Refund to Customers	0	0	0
25633000 Reg Liab - Pension Tracker	(1,820,159)	(583,326)	(1,236,833)
25636000 Reg Liab - Pandemic Costs	0	229,945	(229,945)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(815,400)	50,400	(865,800)
25689900 Reg Liab - Other	459,450	104,900	354,550
Total: Other regulatory liabilities	(17,982,206)	3,692,525	(21,674,731)
Total: Regulatory liabilities	274,192	5,396,090	(5,121,898)
26212000 Accrued Pension Expense	2,121,254	882,339	1,238,915
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,121,254	882,339	1,238,915
26221000 Accrued OPEB	3,583,878	1,570,768	2,013,110
26221500 Accrued OPEB Medicare Subsidy	(134,523)	(12,149)	(122,374)
Total: Accrued postretirement benefit expense	3,449,355	1,558,618	1,890,736
26300000 Operating Lease Long-Term Liability	(1,614)	923	(2,537)
Total: Operating lease long-term liabilities	(1,614)	923	(2,537)

Tennessee American Water Company
Trial Balance as of May 31, 2022

Description	May 2022 Balance	Activity	Prior Year Balance
26580000 FIN 48 Reserve - Federal	(411,134)	(427,762)	16,628
26581000 FIN 48 Reserve - State	(259,766)	(89,068)	(170,698)
Total: Other tax liabilities	(670,900)	(516,830)	(154,070)
Total: Other Deferred Credits	(670,900)	(516,830)	(154,070)
Total: Regulatory and other long-term liabilities	(39,418,589)	5,821,182	(45,239,771)
27111000 CIAC-Non Taxable - Mains	(6,034,459)	(108,223)	(5,926,236)
27112000 CIAC-Non Taxable - Ext Dep	(8,386,584)	(461,889)	(7,924,695)
27113000 CIAC-Non Taxable - Services	(492,638)	0	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,332,239)	(39,435)	(1,292,804)
27116000 CIAC-Non Taxable - Other	(3,083,061)	(104,000)	(2,979,061)
27117000 CIAC-Non Taxable - WIP	(240,349)	(240,349)	0
27121000 CIAC-Taxable - Mains	(2,315,925)	(14,681)	(2,301,243)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,723,032)	(438,871)	(2,284,161)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(292,366)	(376)	(291,990)
27127000 CIAC-Taxable - WIP	(268,599)	148,331	(416,929)
27141000 CIAC-Taxable - Mains FIT	(393,002)	6,044	(399,046)
27143000 CIAC-Taxable - Services FIT	(42,045)	(40,714)	(1,331)
27145000 CIAC-Taxable - Hydrants FIT	(38,075)	479	(38,554)
27206000 Accum Amort CIAC - Other	5,608,387	250,346	5,358,041
27210000 Accum Amort CIAC - Tax	1,133,261	76,800	1,056,462
Total: Contributions in aid of construction	(19,125,940)	(966,538)	(18,159,402)
Total: CAPITAL AND LIABILITIES	(311,092,082)	(18,107,622)	(292,984,460)
Total: BALANCE SHEET (Net Profit)	3,952,276	456,600	3,495,676

Tennessee American Water Company
Trial Balance as of June 30, 2022

Description	June 2022 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	896,090	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	695,825	4,026	691,799
10130420 UPIS - Struct & Imp - Pumping	7,352,896	195,202	7,157,694
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	(69)	18,584,075
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,405,941	365,976	4,039,965
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	88,376	767,741
10131120 UPIS - Pumping Equipment - Electric	5,246,730	78,215	5,168,515
10131130 UPIS - Pumping Equipment - Diesel	119,296	0	119,296
10131150 UPIS - Pumping Equipment - Other	1,499,937	918,216	581,721
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	(2,714)	2,622,912
10132010 UPIS - Water Treatment Equipment	28,263,421	874,159	27,389,262
10133000 UPIS - Distribution Reservoirs & Standpipes	14,800,077	(0)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	156,144,084	6,031,193	150,112,891
10133300 UPIS - Services	32,633,761	617,089	32,016,673
10133410 UPIS - Meters	17,825,316	1,579,582	16,245,734
10133420 UPIS - Meter Installations	22,487,788	1,672,929	20,814,860
10133500 UPIS - Hydrants	12,384,969	1,069,835	11,315,134
10133910 UPIS - Other P/E - Intangible	401,055	0	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	17,891,550	5,144,081	12,747,469
10134100 UPIS - Transportation Equipment	6,949,986	1,039,369	5,910,618
10134200 UPIS - Stores Equipment	0	(24,072)	24,072
10134300 UPIS - Tools-Shop-Garage Equipment	766,774	155,386	611,388
10134400 UPIS - Laboratory Equipment	157,380	3,705	153,675
10134500 UPIS - Power Operated Equipment	379,488	92,905	286,583
10134600 UPIS - Communication Equipment	2,105,835	86,877	2,018,958
10134700 UPIS - Misc Equipment	477,331	14,549	462,783
10134800 UPIS - Other Tangible Property	4,918	0	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10400000 Utility Plant Purchased or Sold	0	0	0
10630360 CCNC Land & Land Rights - Adm & Gen	0	(896,090)	896,090
10630410 CCNC Struct & Imp - Source of Supply	29,766	25,237	4,529
10630420 CCNC Struct & Imp - Pumping	554,772	(134,380)	689,152
10630430 CCNC Struct & Imp - Water Treatment	14,261,890	2,404,513	11,857,378
10630440 CCNC Struct & Imp - Transmission & Distribution	0	(106,686)	106,686
10630450 CCNC Struct & Imp - Admin & General	713,083	(123,383)	836,466
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	4,134	1,344,911
10631000 CCNC Power Generation Equipment	0	0	0
10631120 CCNC Pumping Equipment - Electric	(2,418)	(25,378)	22,960
10631150 CCNC Pumping Equipment - Other	4,632,178	2,909,412	1,722,765
10631152 CCNC Pumping Equipment - Source of Supply	0	(3,449)	3,449
10632010 CCNC - Water Treatment Equipment - Non-Media	2,010,661	(92,512)	2,103,172
10633000 CCNC - Distribution Reservoirs & Standpipes	4,272,380	1,620,316	2,652,065
10633100 CCNC - Transmssn & Distr Mains Not Classified	20,133,549	639,588	19,493,961
10633300 CCNC Services	249,566	(185,662)	435,227
10633410 CCNC Meters	3,870,344	1,036,804	2,833,540
10633420 CCNC Meter Installations	773,476	(116,199)	889,675
10633500 CCNC Hydrants	861,412	522,910	338,502
10633910 CCNC Other P/E Intangible	1,179,406	1,049,122	130,284
10634010 CCNC Office Furniture & Equipment	3,765,080	(3,144,677)	6,909,758

Tennessee American Water Company
Trial Balance as of June 30, 2022

Description	June 2022 Balance	Activity	Prior Year Balance
10634100 CCNC Transportation Equipment Not Classified	1,812,806	408,961	1,403,845
10634300 CCNC Tools-Shop-Garage Equipment	227,135	5,345	221,790
10634400 CCNC Laboratory Equipment	0	(3,705)	3,705
10634500 CCNC Power Operated Equipment	0	(92,905)	92,905
10634600 CCNC Communication Equipment	114,258	55,428	58,830
10634700 CCNC Misc Equipment	50,188	(453)	50,641
10634800 CCNC Other Tangible Property	15,821	0	15,821
Total: Utility plant in service	422,465,420	26,657,193	395,808,227
10700000 CWIP	8,365,309	1,714,743	6,650,565
10780110 CWIP - Eng Clearing Dist Overhead	510,396	485,932	24,464
10780120 CWIP - Eng Clearing Eng Overhead	5,813	4,206	1,607
10780160 CWIP - Suspended CWIP Reserve	(22,825)	(261)	(22,564)
10780170 CWIP-T&I Indirect OH Clearing	0	0	0
Total: Construction work in progress	8,858,692	2,204,620	6,654,072
10801000 Accum Depreciation - Utility Plant in Service	(168,335,842)	(10,664,824)	(157,671,018)
10802000 Accum Depreciation - Salvage/Scrap	(4,745,104)	(163,873)	(4,581,231)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	46,942,049	62,527	46,879,522
10810000 Accum Depreciation - Reg Asset	(34,496)	(2,219)	(32,277)
Total: Accumulated depreciation/amortization	(126,183,253)	(10,768,389)	(115,414,864)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	301,391,280	18,093,424	283,297,856
Total: Total Property Plant & Equipment	301,391,280	18,093,424	283,297,856
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	0	(366)	366
13140103 PNC AWCC-Accounts Payable - Outbound Check	(104,704)	198,479	(303,183)
13140202 PNC AWCC-Payroll - Outbound ACH	0	0	0
13140203 PNC AWCC-Payroll - Outbound Check	0	0	0
13140303 PNC AWCC-Customer Refund - Outbound Check	(51,842)	166,397	(218,240)
13162600 US Bank TN - Main	176,812	(69,384)	246,196
13162608 US Bank TN - Customer Lockbox	0	0	0
13162609 US Bank TN - Credit Card and E-Checks	102,774	3,542	99,232
13162610 US Bank TN - Firstech Collections	406	131	275
13162611 US Bank TN - FiServ (aka CheckFree)	2,674	(4,782)	7,456
13162612 US Bank TN - Penn Credit	0	0	0
13162613 US Bank TN - E-Return - US Bank	0	0	0
13162614 US Bank TN -Credit Card & Echeck E-Returns	(240)	(14)	(226)
13162616 US Bank TN - NSF Return Payments	302	212	89
13199004 Cash Clearing - MI's	(451)	(451)	0
Total: Cash and cash equivalents	127,730	293,764	(166,035)
14100000 A/R - Customer - CIS Reconciliation	4,295,475	278,090	4,017,385
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	417,363	(53,822)	471,184
14100998 A/R - Customer - Payment Clarification	0	752	(752)
14100999 A/R - Customer - Returns Clarification	0	0	0
Total: Utility customer accounts receivable	4,712,838	225,020	4,487,818
14510000 A/R Assoc Cos - Miscellaneous	(195,765)	(27,761)	(168,004)
14510041 AR Associated Cos - AWI IOTG	160,307	160,307	0
14510100 A/R Assoc Cos - Reconciliation Account	275,755	104,131	171,624
14511001 A/R Assoc Cos - Service Company Bill	93,595	45,404	48,191
14573000 A/R Assoc Cos - Dividend Equivalents	0	0	0
Total: Receivable from affiliated companies	333,892	282,081	51,811
14610000 Misc A/R - Reconciliation Account	553,037	(11,649)	564,686
14611000 Misc A/R - Manual	1,433	1	1,432
14611200 Misc A/R - Retro Insurance	0	(69,166)	69,166
14611500 Misc A/R - Medicare Subsidy	44,655	(13,785)	58,440
14613000 Misc A/R - Employees	0	0	0

Tennessee American Water Company
Trial Balance as of June 30, 2022

Description	June 2022 Balance	Activity	Prior Year Balance
Total: Other receivables, net	599,125	(94,599)	693,724
14300000 Allowance for Uncollectible Accounts	(416,464)	145,161	(561,624)
14620000 Misc Rec - Allow for Uncollectible Accts	(27,423)	(6,983)	(20,440)
Total: Allowance for uncollectible accounts	(443,886)	138,178	(582,065)
Total: Accounts receivable, net	5,201,969	550,680	4,651,288
14400000 Unbilled Utility Revenue	2,796,960	314,496	2,482,464
Total: Unbilled revenues	2,796,960	314,496	2,482,464
15110000 Inventory - Plant Material	1,037,954	254,860	783,093
15130000 Inventory - Chemicals	198,908	42,147	156,761
15140000 Inventory - Other Materials & Supplies	89,737	60,961	28,776
Total: Materials and supplies	1,326,599	357,969	968,630
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	8,189	8,189	(0)
16520000 Prepaid Insurance	217,653	25,426	192,227
16530000 Prepaid PUC/PSC Assessment	117,052	14,545	102,507
16550000 Prepaid Other	65,004	78,599	(13,595)
16550010 Prepaid Other - Global	30,934	28,155	2,779
16611000 Reg Asset-OCA tax	0	(199,256)	199,256
16612000 Reg Asset-OCA non tax	153,970	153,970	0
Total: Other current assets	607,802	109,629	498,173
Total: Total Current Assets	10,061,060	1,626,538	8,434,522
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	83,985	27,047	56,937
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	1,791,386	0	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	135	135	0
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	145,733	(37,751)	183,484
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	44	44	0
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	2,622,468	0	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	(703,889)	(25,305)	(678,583)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	0	3,975,692	(3,975,692)
Total: Reg asset - income tax recovery	3,939,862	3,939,862	0
18661000 Reg Asset - Unamortized Debt Exp	9,430	(2,257)	11,686
18661500 Reg Asset - Unamortized Debt Exp Interco	1,278,076	(31,681)	1,309,757
Total: Debt and preferred stock expense	1,287,506	(33,938)	1,321,444
18680000 Reg Asset - Cost of Removal	17,601,718	3,713,012	13,888,706
18680100 Reg Asset - Cost of Removal - RWIP	1,324,630	(1,500,232)	2,824,862
18680101 Reg Asset - Deferred Vacation Pay	0	0	0
18680162 Reg Asset- Closing Costs	8,500	(1,000)	9,500
18680218 Regulatory Asset - "Make-Whole Premium"	172,865	(28,032)	200,897
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18680228 Reg Asset - Pandemic Costs	0	(556,270)	556,270
18689900 Reg Asset - Other	539,211	260,707	278,505
Total: Other regulatory assets	19,679,802	1,888,184	17,791,618
Total: Regulatory assets	24,907,170	5,794,108	19,113,062
18750000 LT Asset - Operating Lease Right-Of-Use Assets	2,461	(904)	3,365
Total: Operating lease right-of-use assets	2,461	(904)	3,365
18715700 LT Asset - Unamort Debt In - Revolver	43,186	(15,704)	58,890
Total: Other long-term assets	43,186	(15,704)	58,890
Total: Total Regulatory and other long-term assets	24,952,816	5,777,500	19,175,316
Total: ASSETS	336,405,156	25,497,462	310,907,693
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(75,689,433)	(34,069,381)	(41,620,053)
Total: Paid-in capital	(75,689,433)	(34,069,381)	(41,620,053)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(43,831,434)	(3,419,573)	(40,411,861)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(43,340,466)	(3,419,573)	(39,920,894)

Tennessee American Water Company
Trial Balance as of June 30, 2022

Description	June 2022 Balance	Activity	Prior Year Balance
Total: Total Stockholders' equity	(132,784,135)	(37,488,953)	(95,295,181)
Total: Total Equity	(132,784,135)	(37,488,953)	(95,295,181)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	334,249	(1,941)	336,190
22115000 Bonds - Interco	(102,280,321)	(5,000,000)	(97,280,321)
Total: Long-term debt	(107,646,072)	(5,001,941)	(102,644,131)
Total: Total Long-term debt	(107,646,072)	(5,001,941)	(102,644,131)
Total: Total Capitalization	(240,430,207)	(42,490,894)	(197,939,313)
23140005 N/P Term Loans - Intercompany	0	0	0
Total: Current - Term Loans	0	0	0
23121000 In-House Cash Center Bank	(1,951,192)	20,243,920	(22,195,112)
23121001 IHC Clearing - Outgoing Payment	(118,218)	(129,814)	11,596
23121002 IHC Clearing - Incoming Payment	0	0	0
Total: In-House Cash Center	(2,069,410)	20,114,106	(22,183,516)
Total: Short-term debt	(2,069,410)	20,114,106	(22,183,516)
23410000 A/P - Reconciliation Account	(1,723,951)	(211,311)	(1,512,640)
23410100 A/P Intercompany - Reconciliation Account	(335,057)	(113,659)	(221,397)
23411001 PCard Distributed-Clearing for Mapped Transactions	(14,090)	3,362	(17,452)
23430000 A/P - Miscellaneous	(33,127)	29,873	(63,000)
23430600 A/P - Workbasket Accrual	(190,597)	(146,683)	(43,915)
23430700 A/P - Pcard Accrual	(7,348)	7,174	(14,523)
23431000 A/P - Misc Global	(22,706)	51,857	(74,563)
23435000 A/P - Project Cost Accrual	(2,147,309)	780,642	(2,927,952)
23436000 A/P-GRIR Capital Services	(205,582)	(158,048)	(47,535)
Total: Accounts payable external	(4,679,768)	243,208	(4,922,976)
23510000 A/P Associated Companies	196,700	30,542	166,159
23520000 A/P Associated Companies - Service Co Bill	917,842	140,929	776,913
23520001 A/P Associated Companies - Service Co Bill	(1,088,088)	(171,439)	(916,649)
23530000 CFO - WLPP Interco	0	90	(90)
23530100 CFO - SLPP Interco	0	36	(36)
23530200 CFO - InHome Interco	0	27	(27)
23530300 CFO - WLPP/SLPP Interco	0	136	(136)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	36	(45)
23540000 CFO - WLPP Receivable Interco	0	0	0
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	74	0	74
23540100 CFO - SLPP Receivable Interco	(65)	(65)	0
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	64	0	64
23540200 CFO - InHome Receivable Interco	0	0	0
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	23	0	23
23540300 CFO - WLPP/SLPP Receivable Interco	0	0	0
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	126	0	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	(259)	0
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	45	0	45
Total: Accounts payable associated companies	26,454	31	26,422
Total: Accounts payable	(4,653,314)	243,239	(4,896,553)
23621000 Accrued FIT - Current Year	(1,409,615)	(1,085,867)	(323,748)
23622000 Accrued FIT - Prior Years	59,632	59,724	(92)
Total: Accrued federal income tax	(1,349,982)	(1,026,143)	(323,840)
23631000 Accrued SIT - Current Year	29,827	71,672	(41,845)
23632000 Accrued SIT - Prior Years	886,646	(436,848)	1,323,494
Total: Accrued state income tax	916,473	(365,176)	1,281,649
23652100 Accrued Tax - FICA	(52,135)	(3,260)	(48,876)
23653000 Accrued Tax - Property Tax	(1,851,213)	256,727	(2,107,939)
23654000 Accrued Tax - Use Tax	(2,589)	(99)	(2,490)
23654110 Accrued Tax - Franchise Tax - Income Tax	(1,098,099)	(55,166)	(1,042,933)
Total: Other accrued taxes	(3,004,036)	198,202	(3,202,238)
Total: Taxes accrued, including income taxes	(3,437,545)	(1,193,116)	(2,244,429)

Tennessee American Water Company
Trial Balance as of June 30, 2022

Description	June 2022 Balance	Activity	Prior Year Balance
23720000 Interest Accrued - LTD	(148,960)	0	(148,960)
23730000 Interest Accrued - LTD Interco	(874,421)	(11,590)	(862,830)
Total: Interest accrued	(1,023,381)	(11,590)	(1,011,790)
24120000 Accrued Vacation Pay	(153,970)	45,286	(199,256)
24120200 Accrued Power	(194,135)	(41,349)	(152,787)
24120300 Accrued Legal	(23,076)	13,163	(36,239)
24120600 Accrued Wages	(439,821)	(53,731)	(386,090)
24120699 Accrued Wages - Net Adjustments Clearing	(1,650)	4,300	(5,950)
24120700 Accrued Insurance	(29,583)	69,906	(99,489)
24120710 Accrued Insurance Retro Adjustment	0	0	0
24121000 Accrued Waste Disposal	(35,212)	8,452	(43,664)
24121100 Accrued Retiree Medical	(14,400)	1,500	(15,900)
24121200 Accrued DCP - Contribution	(17,614)	(1,431)	(16,183)
24121400 Accrued Bank Fees	(11,905)	5,515	(17,420)
24121800 Accrued Severance	0	0	0
24122500 Refund Rates Under Bond	(357,859)	(164,956)	(192,904)
24122700 Accrued Employer 401k Match	(12,489)	(712)	(11,777)
24123000 Accrued Incentive Plan Cash	(257,362)	(12,917)	(244,445)
24126000 Miscellaneous Deposits Payable	(1,033)	(1,033)	0
24126200 Accrued Paving	(3,837)	5,409	(9,247)
24133000 Unclaimed Customer Credits	(202,472)	(201,109)	(1,363)
24133200 Unclaimed A/P Checks	(17,184)	(4,594)	(12,590)
24142006 WH PR - 401k Contributions	0	0	0
24142014 WH PR - ESPP	(5,042)	(509)	(4,532)
24150000 Operating Lease Current Liability	(925)	(21)	(904)
24161000 GRIR - Stock E (Materials)	(196,862)	(117,294)	(79,568)
24163000 GRIR - Stock C (Chemicals)	(93,927)	(49,748)	(44,179)
24164000 GRIR - Non-inventory	(356,491)	(240,874)	(115,617)
24171000 CFO Miscellaneous	(17)	(17)	0
24171006 CFO Customer Assistance Pledged	(540)	(23)	(517)
24172000 CFO Sales Tax	31,976,009	4,051,219	27,924,790
24172100 CFO Sales Tax - from CIS	(32,320,153)	(4,059,229)	(28,260,923)
24199100 Reg Liab-OCL taxable	0	0	0
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	(181,702)	(181,702)	0
24199700 Deferred Revenue - Current Portion	0	0	0
24199900 Other Current Liabilities - Non-Tax Sensitive	(417,363)	53,822	(471,184)
25299900 Advances for Construction - Current	(607,269)	(146,885)	(460,384)
Total: Other current liabilities	(3,977,885)	(1,019,561)	(2,958,324)
Total: Total Current Liabilities	(15,161,535)	18,133,077	(33,294,612)
25211000 Advances for Construction - NT Mains	(848,950)	(823,101)	(25,849)
25212000 Advances for Construction - NT Extension Deposits	(1,103,502)	741,505	(1,845,006)
25215000 Advances for Construction - NT Hydrants	(26,218)	(6,183)	(20,035)
25217000 Advances for Construction - NT WIP	(3,115,481)	(3,115,481)	0
25221000 Advances for Construction - Tax Mains	(1,703,684)	68,443	(1,772,127)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	19,962	(81,250)
25223000 Advances for Construction - Tax Services	(7,991)	376,888	(384,878)
25225000 Advances for Construction - Tax Hydrants	(45,699)	(16,910)	(28,788)
25227000 Advances for Construction - Tax WIP	(102,172)	2,657,289	(2,759,461)
25241000 Advances for Construction - Tax Mains - FIT	(1,227,005)	444,071	(1,671,075)
25243000 Advances for Construction - Tax Services - FIT	(22)	(22)	0
25245000 Advances for Construction - Tax Hydrants - FIT	(45,679)	(12,164)	(33,515)
25280000 Advances for Construction - Reclassed to Current	607,269	146,885	460,384
Total: Customer Advances for construction	(7,680,420)	481,181	(8,161,601)
25310000 Deferred FIT Liability – Property	982,112	999,780	(17,668)
25310100 Deferred FIT Liability - FAS109 Increment	(1,004,041)	(1,004,041)	0
25311000 Deferred FIT Liability – Non Property	(28,569,605)	(1,308,846)	(27,260,758)
25311100 Deferred FIT Liability - FAS109 Gross Up	(357,276)	(357,276)	0

Tennessee American Water Company
Trial Balance as of June 30, 2022

Description	June 2022 Balance	Activity	Prior Year Balance
Total: Federal Deferred income taxes long-term	(28,948,810)	(1,670,384)	(27,278,426)
25320000 Deferred SIT Liability - Property	(65)	(65)	0
25320100 Deferred SIT Liability - FAS109 Increment	(1,003)	(1,003)	0
25321000 Deferred SIT Liability – Non Property	(8,343,216)	(463,913)	(7,879,303)
Total: State Deferred income taxes long-term	(8,344,283)	(464,980)	(7,879,303)
Total: Deferred income taxes	(37,293,094)	(2,135,364)	(35,157,729)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(19,047)	5,019	(24,066)
25510300 Unamortized ITC - 10%	(13,858)	51,433	(65,291)
Total: Deferred investment tax credits	(32,905)	56,452	(89,357)
25700000 Reg Liab - Cost of Removal	0	0	0
25710000 Reg Liab - Cost of Removal RWIP	0	0	0
Total: Reg liability - cost of removal	0	0	0
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(15,783,506)	2,472,576	(18,256,082)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	(219,473)	6,095	(225,568)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	257,877	(7,168)	265,045
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	89,641	89,641	0
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	119,619	(3,427)	123,045
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	6,956	6,957	(0)
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	(7,673)	842	(8,514)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	(10,982)	12,120	(23,101)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	0	(3,975,692)	3,975,692
25632300 Reg Liab-Tax Cuts & Jobs Act Customer Refunds - LT	0	1,271,911	(1,271,911)
25632400 Reg Liab - Refund to Customers	0	0	0
25633000 Reg Liab - Pension Tracker	(1,882,059)	(606,108)	(1,275,951)
25636000 Reg Liab - Pandemic Costs	0	249,637	(249,637)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(815,400)	50,400	(865,800)
25689900 Reg Liab - Other	0	0	0
Total: Other regulatory liabilities	(18,244,999)	(432,217)	(17,812,782)
Total: Regulatory liabilities	(18,244,999)	(432,217)	(17,812,782)
26212000 Accrued Pension Expense	2,162,224	898,002	1,264,222
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,162,224	898,002	1,264,222
26221000 Accrued OPEB	3,723,532	1,614,710	2,108,822
26221500 Accrued OPEB Medicare Subsidy	(136,666)	(11,642)	(125,024)
Total: Accrued postretirement benefit expense	3,586,866	1,603,067	1,983,798
26300000 Operating Lease Long-Term Liability	(1,536)	925	(2,461)
Total: Operating lease long-term liabilities	(1,536)	925	(2,461)
26580000 FIN 48 Reserve - Federal	(461,657)	(357,998)	(103,659)
26581000 FIN 48 Reserve - State	(165,705)	9,297	(175,002)
Total: Other tax liabilities	(627,362)	(348,701)	(278,661)
Total: Other Deferred Credits	(627,362)	(348,701)	(278,661)
Total: Regulatory and other long-term liabilities	(58,131,226)	123,345	(58,254,571)
27111000 CIAC-Non Taxable - Mains	(6,048,157)	(121,921)	(5,926,236)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	(503,701)	(7,924,695)
27113000 CIAC-Non Taxable - Services	(492,638)	0	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,345,077)	(52,273)	(1,292,804)
27116000 CIAC-Non Taxable - Other	(3,083,061)	(104,000)	(2,979,061)
27117000 CIAC-Non Taxable - WIP	(227,514)	(227,514)	0
27121000 CIAC-Taxable - Mains	(2,373,242)	(80,785)	(2,292,457)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,723,431)	(439,269)	(2,284,161)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(305,384)	(13,031)	(292,353)
27127000 CIAC-Taxable - WIP	(178,892)	229,256	(408,148)
27141000 CIAC-Taxable - Mains FIT	(444,172)	(53,912)	(390,260)

Tennessee American Water Company
Trial Balance as of June 30, 2022

Description	June 2022 Balance	Activity	Prior Year Balance
27143000 CIAC-Taxable - Services FIT	(42,045)	(40,714)	(1,331)
27145000 CIAC-Taxable - Hydrants FIT	(39,227)	(309)	(38,918)
27206000 Accum Amort CIAC - Other	5,629,646	251,124	5,378,523
27210000 Accum Amort CIAC - Tax	1,139,952	77,252	1,062,699
Total: Contributions in aid of construction	(19,186,852)	(1,079,796)	(18,107,056)
Total: CAPITAL AND LIABILITIES	(332,909,820)	(25,314,269)	(307,595,551)
Total: BALANCE SHEET (Net Profit)	3,495,336	183,194	3,312,142

Tennessee American Water Company
Trial Balance as of July 31, 2022

Description	July 2022 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	896,090	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	694,790	2,991	691,799
10130420 UPIS - Struct & Imp - Pumping	7,347,930	190,235	7,157,694
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	(69)	18,584,075
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,405,223	365,257	4,039,965
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	88,376	767,741
10131120 UPIS - Pumping Equipment - Electric	5,245,217	76,702	5,168,515
10131130 UPIS - Pumping Equipment - Diesel	119,296	0	119,296
10131150 UPIS - Pumping Equipment - Other	1,502,876	923,640	579,235
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	(2,714)	2,622,912
10132010 UPIS - Water Treatment Equipment	28,183,554	794,292	27,389,262
10133000 UPIS - Distribution Reservoirs & Standpipes	14,800,077	(0)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	156,557,312	6,146,334	150,410,978
10133300 UPIS - Services	32,597,599	511,967	32,085,633
10133410 UPIS - Meters	17,819,264	1,155,095	16,664,169
10133420 UPIS - Meter Installations	22,496,485	1,489,085	21,007,400
10133500 UPIS - Hydrants	12,400,584	1,012,185	11,388,399
10133910 UPIS - Other P/E - Intangible	1,450,178	1,049,122	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	17,922,876	5,175,407	12,747,469
10134100 UPIS - Transportation Equipment	6,949,986	1,039,369	5,910,618
10134200 UPIS - Stores Equipment	0	(24,072)	24,072
10134300 UPIS - Tools-Shop-Garage Equipment	764,443	153,055	611,388
10134400 UPIS - Laboratory Equipment	157,380	3,705	153,675
10134500 UPIS - Power Operated Equipment	379,488	92,905	286,583
10134600 UPIS - Communication Equipment	2,105,835	86,529	2,019,306
10134700 UPIS - Misc Equipment	477,331	14,549	462,783
10134800 UPIS - Other Tangible Property	4,918	0	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10400000 Utility Plant Purchased or Sold	0	0	0
10630360 CCNC Land & Land Rights - Adm & Gen	0	(896,090)	896,090
10630410 CCNC Struct & Imp - Source of Supply	52,225	47,696	4,529
10630420 CCNC Struct & Imp - Pumping	996,664	307,512	689,152
10630430 CCNC Struct & Imp - Water Treatment	14,261,890	2,533,493	11,728,397
10630440 CCNC Struct & Imp - Transmission & Distribution	0	(106,686)	106,686
10630450 CCNC Struct & Imp - Admin & General	717,987	(118,479)	836,466
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	(5,268)	1,354,313
10631000 CCNC Power Generation Equipment	0	0	0
10631120 CCNC Pumping Equipment - Electric	(2,303)	(22,176)	19,873

Tennessee American Water Company
Trial Balance as of July 31, 2022

Description	July 2022 Balance	Activity	Prior Year Balance
10631150 CCNC Pumping Equipment - Other	4,899,966	2,996,475	1,903,490
10631152 CCNC Pumping Equipment - Source of Supply	0	(3,449)	3,449
10632010 CCNC - Water Treatment Equipment - Non-Media	2,433,719	330,216	2,103,503
10633000 CCNC - Distribution Reservoirs & Standpipes	4,280,620	1,634,371	2,646,249
10633100 CCNC - Transmssn & Distr Mains Not Classified	20,097,425	444,409	19,653,016
10633300 CCNC Services	288,927	(55,780)	344,707
10633410 CCNC Meters	5,249,580	2,377,892	2,871,687
10633420 CCNC Meter Installations	858,877	59,723	799,154
10633500 CCNC Hydrants	922,075	619,228	302,847
10633910 CCNC Other P/E Intangible	130,284	0	130,284
10634010 CCNC Office Furniture & Equipment	3,776,855	(3,103,504)	6,880,358
10634100 CCNC Transportation Equipment Not Classified	1,882,021	478,176	1,403,845
10634300 CCNC Tools-Shop-Garage Equipment	240,938	15,382	225,556
10634400 CCNC Laboratory Equipment	0	(3,705)	3,705
10634500 CCNC Power Operated Equipment	0	(92,905)	92,905
10634600 CCNC Communication Equipment	165,951	107,121	58,830
10634700 CCNC Misc Equipment	50,500	(141)	50,641
10634800 CCNC Other Tangible Property	15,821	0	15,821
Total: Utility plant in service	425,648,369	28,783,546	396,864,823
10700000 CWIP	8,066,233	295,686	7,770,547
10780110 CWIP - Eng Clearing Dist Overhead	586,006	572,199	13,807
10780120 CWIP - Eng Clearing Eng Overhead	6,288	5,258	1,030
10780160 CWIP - Suspended CWIP Reserve	(22,825)	(261)	(22,564)
10780170 CWIP-T&I Indirect OH Clearing	0	0	0
Total: Construction work in progress	8,635,702	872,883	7,762,820
10801000 Accum Depreciation - Utility Plant in Service	(169,266,285)	(10,742,094)	(158,524,192)
10802000 Accum Depreciation - Salvage/Scrap	(4,745,104)	(163,541)	(4,581,563)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	47,127,362	120,793	47,006,568
10810000 Accum Depreciation - Reg Asset	(34,589)	(2,312)	(32,277)
Total: Accumulated depreciation/amortization	(126,928,476)	(10,787,153)	(116,141,323)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	303,606,017	18,869,276	284,736,741
Total: Total Property Plant & Equipment	303,606,017	18,869,276	284,736,741
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	0	(335)	335
13140103 PNC AWCC-Accounts Payable - Outbound Check	(237,306)	254,588	(491,894)
13140202 PNC AWCC-Payroll - Outbound ACH	0	0	0
13140203 PNC AWCC-Payroll - Outbound Check	0	0	0
13140303 PNC AWCC-Customer Refund - Outbound Check	(60,210)	157,840	(218,051)
13162600 US Bank TN - Main	196,273	27,507	168,765
13162608 US Bank TN - Customer Lockbox	0	0	0
13162609 US Bank TN - Credit Card and E-Checks	132,593	(6,420)	139,013
13162610 US Bank TN - Firstech Collections	320	(71)	391
13162611 US Bank TN - FiServ (aka CheckFree)	5,303	874	4,429

Tennessee American Water Company
Trial Balance as of July 31, 2022

Description	July 2022 Balance	Activity	Prior Year Balance
13162612 US Bank TN - Penn Credit	278	206	72
13162613 US Bank TN - E-Return - US Bank	0	29	(29)
13162614 US Bank TN -Credit Card & Echeck E-Returns	0	462	(462)
13162616 US Bank TN - NSF Return Payments	1,175	1,148	27
13199004 Cash Clearing - MI's	0	0	0
Total: Cash and cash equivalents	40,427	435,829	(395,402)
14100000 A/R - Customer - CIS Reconciliation	5,521,658	755,932	4,765,725
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	0	0	0
14100998 A/R - Customer - Payment Clarification	0	1,869	(1,869)
14100999 A/R - Customer - Returns Clarification	0	(29)	29
Total: Utility customer accounts receivable	5,521,658	757,773	4,763,885
14510000 A/R Assoc Cos - Miscellaneous	0	0	0
14510041 AR Associated Cos - AWI IOTG	160,307	160,307	0
14510100 A/R Assoc Cos - Reconciliation Account	281,150	36,573	244,577
14511001 A/R Assoc Cos - Service Company Bill	90,882	45,971	44,911
14573000 A/R Assoc Cos - Dividend Equivalents	0	0	0
Total: Receivable from affiliated companies	532,340	242,852	289,488
14610000 Misc A/R - Reconciliation Account	643,201	86,612	556,589
14611000 Misc A/R - Manual	1,441	13	1,428
14611200 Misc A/R - Retro Insurance	0	(69,166)	69,166
14611500 Misc A/R - Medicare Subsidy	46,798	(14,292)	61,090
14613000 Misc A/R - Employees	0	(23)	23
Total: Other receivables, net	691,440	3,144	688,296
14300000 Allowance for Uncollectible Accounts	(426,927)	136,493	(563,420)
14620000 Misc Rec - Allow for Uncollectible Accts	(27,423)	(6,983)	(20,440)
Total: Allowance for uncollectible accounts	(454,350)	129,510	(583,860)
Total: Accounts receivable, net	6,291,088	1,133,279	5,157,809
14400000 Unbilled Utility Revenue	2,317,369	(4,168)	2,321,538
Total: Unbilled revenues	2,317,369	(4,168)	2,321,538
15110000 Inventory - Plant Material	1,058,889	245,471	813,418
15130000 Inventory - Chemicals	159,325	(3,716)	163,042
15140000 Inventory - Other Materials & Supplies	46,681	20,523	26,158
Total: Materials and supplies	1,264,895	262,277	1,002,618
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	895,755	245,339	650,416
16520000 Prepaid Insurance	260,479	27,819	232,660
16530000 Prepaid PUC/PSC Assessment	97,543	12,121	85,422
16550000 Prepaid Other	16,574	(18,625)	35,199
16550010 Prepaid Other - Global	28,000	31,530	(3,529)
16611000 Reg Asset-OCA tax	0	0	0
16612000 Reg Asset-OCA non tax	0	0	0
Total: Other current assets	1,313,351	298,182	1,015,169
Total: Total Current Assets	11,227,130	2,125,399	9,101,731
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	83,985	27,047	56,937
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	1,791,386	0	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	179	179	0

Tennessee American Water Company
Trial Balance as of July 31, 2022

Description	July 2022 Balance	Activity	Prior Year Balance
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	145,733	(31,460)	177,192
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	58	58	0
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	2,622,468	0	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	(703,889)	(21,088)	(682,801)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	0	0	0
Total: Reg asset - income tax recovery	3,939,920	(25,263)	3,965,183
18661000 Reg Asset - Unamortized Debt Exp	9,242	(2,257)	11,498
18661500 Reg Asset - Unamortized Debt Exp Interco	1,271,612	(32,029)	1,303,642
Total: Debt and preferred stock expense	1,280,854	(34,286)	1,315,140
18680000 Reg Asset - Cost of Removal	0	0	0
18680100 Reg Asset - Cost of Removal - RWIP	0	0	0
18680101 Reg Asset - Deferred Vacation Pay	271,533	(45,063)	316,596
18680162 Reg Asset- Closing Costs	8,417	(1,000)	9,417
18680218 Regulatory Asset - "Make-Whole Premium"	170,529	(28,032)	198,561
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18680228 Reg Asset - Pandemic Costs	0	(556,974)	556,974
18689900 Reg Asset - Other	0	0	0
Total: Other regulatory assets	483,356	(631,069)	1,114,425
Total: Regulatory assets	5,704,129	(690,618)	6,394,748
18750000 LT Asset - Operating Lease Right-Of-Use Assets	2,384	(906)	3,290
Total: Operating lease right-of-use assets	2,384	(906)	3,290
18715700 LT Asset - Unamort Debt In - Revolver	41,877	(15,704)	57,581
Total: Other long-term assets	41,877	(15,704)	57,581
Total: Total Regulatory and other long-term assets	5,748,391	(707,228)	6,455,619
Total: ASSETS	320,581,538	20,287,448	300,294,090
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(75,689,433)	(34,069,381)	(41,620,053)
Total: Paid-in capital	(75,689,433)	(34,069,381)	(41,620,053)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(43,831,434)	(3,419,573)	(40,411,861)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(43,340,466)	(3,419,573)	(39,920,894)
Total: Total Stockholders' equity	(132,784,135)	(37,488,953)	(95,295,181)
Total: Total Equity	(132,784,135)	(37,488,953)	(95,295,181)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	332,656	(2,072)	334,728
22115000 Bonds - Interco	(102,280,321)	(5,000,000)	(97,280,321)
Total: Long-term debt	(107,647,665)	(5,002,072)	(102,645,593)
Total: Total Long-term debt	(107,647,665)	(5,002,072)	(102,645,593)
Total: Total Capitalization	(240,431,800)	(42,491,025)	(197,940,775)
23140005 N/P Term Loans - Intercompany	0	0	0
Total: Current - Term Loans	0	0	0
23121000 In-House Cash Center Bank	(3,528,178)	18,607,803	(22,135,981)
23121001 IHC Clearing - Outgoing Payment	823	(80,548)	81,371
23121002 IHC Clearing - Incoming Payment	1,136	1,136	0

Tennessee American Water Company
Trial Balance as of July 31, 2022

Description	July 2022 Balance	Activity	Prior Year Balance
Total: In-House Cash Center	(3,526,220)	18,528,390	(22,054,610)
Total: Short-term debt	(3,526,220)	18,528,390	(22,054,610)
23410000 A/P - Reconciliation Account	(1,914,816)	185,180	(2,099,996)
23410100 A/P Intercompany - Reconciliation Account	(418,232)	(10,783)	(407,449)
23411001 PCard Distributed-Clearing for Mapped Transactions	(15,312)	(353)	(14,960)
23430000 A/P - Miscellaneous	0	63,000	(63,000)
23430600 A/P - Workbasket Accrual	(104,963)	4,029	(108,992)
23430700 A/P - Pcard Accrual	(24,003)	(10,349)	(13,654)
23431000 A/P - Misc Global	(60,089)	7,103	(67,192)
23435000 A/P - Project Cost Accrual	(1,884,530)	675,418	(2,559,949)
23436000 A/P-GRIR Capital Services	(18,691)	32,403	(51,094)
Total: Accounts payable external	(4,440,636)	945,648	(5,386,284)
23510000 A/P Associated Companies	(409)	2,151	(2,560)
23520000 A/P Associated Companies - Service Co Bill	994,493	126,036	868,458
23520001 A/P Associated Companies - Service Co Bill	(1,004,734)	(138,259)	(866,474)
23530000 CFO - WLPP Interco	0	90	(90)
23530100 CFO - SLPP Interco	0	36	(36)
23530200 CFO - InHome Interco	0	27	(27)
23530300 CFO - WLPP/SLPP Interco	0	136	(136)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	36	(45)
23540000 CFO - WLPP Receivable Interco	0	0	0
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	74	0	74
23540100 CFO - SLPP Receivable Interco	(65)	(65)	0
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	64	0	64
23540200 CFO - InHome Receivable Interco	0	0	0
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	23	0	23
23540300 CFO - WLPP/SLPP Receivable Interco	0	0	0
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	126	0	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	(259)	0
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	45	0	45
Total: Accounts payable associated companies	(10,649)	(10,073)	(577)
Total: Accounts payable	(4,451,286)	935,576	(5,386,861)
23621000 Accrued FIT - Current Year	(1,267,821)	(851,501)	(416,320)
23622000 Accrued FIT - Prior Years	59,632	59,724	(92)
Total: Accrued federal income tax	(1,208,189)	(791,777)	(416,412)
23631000 Accrued SIT - Current Year	226,809	318,901	(92,092)
23632000 Accrued SIT - Prior Years	886,646	(436,848)	1,323,494
Total: Accrued state income tax	1,113,455	(117,947)	1,231,402
23652100 Accrued Tax - FICA	(34,151)	(1,395)	(32,757)
23653000 Accrued Tax - Property Tax	(2,150,775)	257,694	(2,408,469)
23654000 Accrued Tax - Use Tax	(4,087)	(1,071)	(3,016)
23654110 Accrued Tax - Franchise Tax - Income Tax	(1,159,099)	(58,166)	(1,100,933)
Total: Other accrued taxes	(3,348,113)	197,061	(3,545,174)
Total: Taxes accrued, including income taxes	(3,442,847)	(712,663)	(2,730,184)
23720000 Interest Accrued - LTD	(186,200)	0	(186,200)
23730000 Interest Accrued - LTD Interco	(1,212,797)	(30,132)	(1,182,665)

Tennessee American Water Company
Trial Balance as of July 31, 2022

Description	July 2022 Balance	Activity	Prior Year Balance
Total: Interest accrued	(1,398,997)	(30,132)	(1,368,865)
24120000 Accrued Vacation Pay	(271,533)	45,063	(316,596)
24120200 Accrued Power	(241,556)	(71,294)	(170,263)
24120300 Accrued Legal	(70,474)	(18,014)	(52,459)
24120600 Accrued Wages	(154,222)	(7,259)	(146,963)
24120699 Accrued Wages - Net Adjustments Clearing	(258)	4,892	(5,150)
24120700 Accrued Insurance	28,990	75,812	(46,822)
24120710 Accrued Insurance Retro Adjustment	0	0	0
24121000 Accrued Waste Disposal	(25,888)	500	(26,388)
24121100 Accrued Retiree Medical	(16,706)	1,861	(18,568)
24121200 Accrued DCP - Contribution	(18,672)	833	(19,505)
24121400 Accrued Bank Fees	(11,493)	(231)	(11,261)
24121800 Accrued Severance	0	0	0
24122500 Refund Rates Under Bond	(252,162)	(114,293)	(137,869)
24122700 Accrued Employer 401k Match	(12,957)	842	(13,799)
24123000 Accrued Incentive Plan Cash	(300,255)	(15,319)	(284,936)
24126000 Miscellaneous Deposits Payable	(1,033)	(1,033)	0
24126200 Accrued Paving	(3,837)	5,409	(9,247)
24133000 Unclaimed Customer Credits	(202,484)	(180,351)	(22,133)
24133200 Unclaimed A/P Checks	(18,977)	(6,387)	(12,590)
24142006 WH PR - 401k Contributions	(22,149)	1,540	(23,689)
24142014 WH PR - ESPP	(11,832)	(447)	(11,385)
24150000 Operating Lease Current Liability	(926)	(21)	(906)
24161000 GRIR - Stock E (Materials)	(157,649)	(52,231)	(105,418)
24163000 GRIR - Stock C (Chemicals)	(80,203)	(44,248)	(35,955)
24164000 GRIR - Non-inventory	(214,803)	(165,309)	(49,494)
24171000 CFO Miscellaneous	(17)	(17)	0
24171006 CFO Customer Assistance Pledged	(589)	(17)	(572)
24172000 CFO Sales Tax	32,319,976	4,060,121	28,259,855
24172100 CFO Sales Tax - from CIS	(32,769,844)	(4,084,948)	(28,684,896)
24199100 Reg Liab-OCL taxable	0	0	0
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	(90,851)	(90,851)	0
24199700 Deferred Revenue - Current Portion	(575,262)	(46,223)	(529,039)
24199900 Other Current Liabilities - Non-Tax Sensitive	0	0	0
25299900 Advances for Construction - Current	(607,269)	(146,885)	(460,384)
Total: Other current liabilities	(3,784,937)	(848,504)	(2,936,432)
Total: Total Current Liabilities	(16,604,286)	17,872,666	(34,476,951)
25211000 Advances for Construction - NT Mains	(692,736)	(666,887)	(25,849)
25212000 Advances for Construction - NT Extension Deposits	(1,050,545)	780,516	(1,831,062)
25215000 Advances for Construction - NT Hydrants	(21,548)	(1,953)	(19,595)
25217000 Advances for Construction - NT WIP	(3,406,547)	(3,406,547)	0
25221000 Advances for Construction - Tax Mains	(1,703,684)	99,133	(1,802,817)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	45,222	(106,510)
25223000 Advances for Construction - Tax Services	(7,047)	377,031	(384,078)
25225000 Advances for Construction - Tax Hydrants	(45,699)	(18,938)	(26,760)
25227000 Advances for Construction - Tax WIP	(79,488)	2,641,766	(2,721,254)

Tennessee American Water Company
Trial Balance as of July 31, 2022

Description	July 2022 Balance	Activity	Prior Year Balance
25241000 Advances for Construction - Tax Mains - FIT	(1,227,005)	474,761	(1,701,766)
25243000 Advances for Construction - Tax Services - FIT	(22)	(22)	0
25245000 Advances for Construction - Tax Hydrants - FIT	(45,679)	(14,192)	(31,487)
25280000 Advances for Construction - Reclassed to Current	607,269	146,885	460,384
Total: Customer Advances for construction	(7,734,018)	456,775	(8,190,794)
25310000 Deferred FIT Liability – Property	1,305,295	1,322,963	(17,668)
25310100 Deferred FIT Liability - FAS109 Increment	(1,328,602)	(1,328,602)	0
25311000 Deferred FIT Liability – Non Property	(28,891,088)	(1,355,012)	(27,536,076)
25311100 Deferred FIT Liability - FAS109 Gross Up	(472,768)	(472,768)	0
Total: Federal Deferred income taxes long-term	(29,387,163)	(1,833,418)	(27,553,744)
25320000 Deferred SIT Liability - Property	(86)	(86)	0
25320100 Deferred SIT Liability - FAS109 Increment	(1,327)	(1,327)	0
25321000 Deferred SIT Liability – Non Property	(8,468,990)	(515,900)	(7,953,090)
Total: State Deferred income taxes long-term	(8,470,403)	(517,313)	(7,953,090)
Total: Deferred income taxes	(37,857,565)	(2,350,731)	(35,506,834)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(18,195)	5,474	(23,669)
25510300 Unamortized ITC - 10%	(8,305)	51,277	(59,582)
Total: Deferred investment tax credits	(26,499)	56,752	(83,251)
25700000 Reg Liab - Cost of Removal	17,223,866	3,218,470	14,005,395
25710000 Reg Liab - Cost of Removal RWIP	1,403,147	(1,434,750)	2,837,897
Total: Reg liability - cost of removal	18,627,013	1,783,720	16,843,293
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(15,374,413)	2,674,314	(18,048,727)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	(219,473)	5,079	(224,552)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	257,877	(5,974)	263,850
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	118,618	118,618	0
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	119,619	(2,855)	122,474
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	9,205	9,205	(0)
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	(7,673)	701	(8,374)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	(10,982)	10,100	(21,081)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	0	0	0
25632300 Reg Liab-Tax Cuts & Jobs Act Customer Refunds - LT	0	1,181,060	(1,181,060)
25632400 Reg Liab - Refund to Customers	0	0	0
25633000 Reg Liab - Pension Tracker	(1,943,959)	(628,890)	(1,315,069)
25636000 Reg Liab - Pandemic Costs	0	276,271	(276,271)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(815,400)	50,400	(865,800)
25689900 Reg Liab - Other	594,969	375,264	219,705
Total: Other regulatory liabilities	(17,271,611)	4,063,294	(21,334,905)
Total: Regulatory liabilities	1,355,401	5,847,014	(4,491,612)
26212000 Accrued Pension Expense	2,203,194	913,665	1,289,529
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,203,194	913,665	1,289,529
26221000 Accrued OPEB	3,825,186	1,544,152	2,281,034
26221500 Accrued OPEB Medicare Subsidy	(138,809)	(11,135)	(127,674)
Total: Accrued postretirement benefit expense	3,686,377	1,533,016	2,153,360
26300000 Operating Lease Long-Term Liability	(1,458)	926	(2,384)

Tennessee American Water Company
Trial Balance as of July 31, 2022

Description	July 2022 Balance	Activity	Prior Year Balance
Total: Operating lease long-term liabilities	(1,458)	926	(2,384)
26580000 FIN 48 Reserve - Federal	(461,657)	(357,998)	(103,659)
26581000 FIN 48 Reserve - State	(165,705)	9,297	(175,002)
Total: Other tax liabilities	(627,362)	(348,701)	(278,661)
Total: Other Deferred Credits	(627,362)	(348,701)	(278,661)
Total: Regulatory and other long-term liabilities	(39,001,932)	6,108,716	(45,110,648)
27111000 CIAC-Non Taxable - Mains	(6,048,157)	(121,921)	(5,926,236)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	(503,701)	(7,924,695)
27113000 CIAC-Non Taxable - Services	(492,638)	0	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,348,522)	(55,718)	(1,292,804)
27116000 CIAC-Non Taxable - Other	(3,083,061)	(104,000)	(2,979,061)
27117000 CIAC-Non Taxable - WIP	(361,897)	(361,897)	0
27121000 CIAC-Taxable - Mains	(2,373,739)	(76,838)	(2,296,902)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,723,452)	(438,491)	(2,284,961)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(305,406)	(6,710)	(298,695)
27127000 CIAC-Taxable - WIP	(192,902)	194,610	(387,511)
27141000 CIAC-Taxable - Mains FIT	(444,669)	(49,965)	(394,704)
27143000 CIAC-Taxable - Services FIT	(42,067)	(40,735)	(1,331)
27145000 CIAC-Taxable - Hydrants FIT	(39,248)	6,012	(45,260)
27206000 Accum Amort CIAC - Other	5,650,988	251,984	5,399,004
27210000 Accum Amort CIAC - Tax	1,146,182	77,262	1,068,920
Total: Contributions in aid of construction	(19,312,199)	(1,230,109)	(18,082,091)
Total: CAPITAL AND LIABILITIES	(315,350,216)	(19,739,752)	(295,610,464)
Total: BALANCE SHEET (Net Profit)	5,231,322	547,696	4,683,626

Tennessee American Water Company
Trial Balance as of August 31, 2022

Description	August 2022 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	896,090	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	694,790	2,991	691,799
10130420 UPIS - Struct & Imp - Pumping	7,806,566	648,872	7,157,694
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	(69)	18,584,075
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,405,223	365,257	4,039,965
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	88,376	767,741
10131120 UPIS - Pumping Equipment - Electric	5,245,217	76,444	5,168,773
10131130 UPIS - Pumping Equipment - Diesel	119,296	0	119,296
10131150 UPIS - Pumping Equipment - Other	1,556,824	977,589	579,235
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	(2,714)	2,622,912
10132010 UPIS - Water Treatment Equipment	28,162,389	708,631	27,453,758
10133000 UPIS - Distribution Reservoirs & Standpipes	14,800,077	(0)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	157,324,741	6,736,452	150,588,289
10133300 UPIS - Services	32,610,478	490,714	32,119,764
10133410 UPIS - Meters	17,719,770	1,022,299	16,697,471
10133420 UPIS - Meter Installations	22,497,855	1,479,078	21,018,777
10133500 UPIS - Hydrants	12,429,611	1,006,058	11,423,553
10133910 UPIS - Other P/E - Intangible	1,450,178	1,049,122	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	17,996,680	5,249,211	12,747,469
10134100 UPIS - Transportation Equipment	7,065,236	1,154,618	5,910,618
10134200 UPIS - Stores Equipment	0	(24,072)	24,072
10134300 UPIS - Tools-Shop-Garage Equipment	766,322	143,296	623,026
10134400 UPIS - Laboratory Equipment	157,380	3,705	153,675
10134500 UPIS - Power Operated Equipment	379,488	92,905	286,583
10134600 UPIS - Communication Equipment	2,250,380	213,765	2,036,615
10134700 UPIS - Misc Equipment	477,331	14,549	462,783
10134800 UPIS - Other Tangible Property	17,776	12,858	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10400000 Utility Plant Purchased or Sold	0	0	0
10630360 CCNC Land & Land Rights - Adm & Gen	0	(896,090)	896,090
10630410 CCNC Struct & Imp - Source of Supply	52,225	47,696	4,529
10630420 CCNC Struct & Imp - Pumping	487,126	(571,546)	1,058,671
10630430 CCNC Struct & Imp - Water Treatment	14,261,890	2,533,493	11,728,397
10630440 CCNC Struct & Imp - Transmission & Distribution	0	(106,686)	106,686
10630450 CCNC Struct & Imp - Admin & General	721,829	(114,638)	836,466
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	223	1,348,822
10631000 CCNC Power Generation Equipment	0	0	0
10631120 CCNC Pumping Equipment - Electric	751	(19,122)	19,873

Tennessee American Water Company
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Description	August 2022 Balance	Activity	Prior Year Balance
10631150 CCNC Pumping Equipment - Other	4,901,082	2,994,552	1,906,530
10631152 CCNC Pumping Equipment - Source of Supply	0	0	0
10632010 CCNC - Water Treatment Equipment - Non-Media	2,630,580	466,236	2,164,343
10633000 CCNC - Distribution Reservoirs & Standpipes	4,278,689	1,632,067	2,646,622
10633100 CCNC - Transmssn & Distr Mains Not Classified	19,577,098	(180,061)	19,757,159
10633300 CCNC Services	339,733	(50,615)	390,348
10633410 CCNC Meters	5,438,366	2,311,128	3,127,238
10633420 CCNC Meter Installations	1,074,159	288,968	785,191
10633500 CCNC Hydrants	1,069,130	750,442	318,688
10633910 CCNC Other P/E Intangible	130,284	0	130,284
10634010 CCNC Office Furniture & Equipment	3,924,108	(3,012,598)	6,936,706
10634100 CCNC Transportation Equipment Not Classified	1,942,158	237,906	1,704,252
10634300 CCNC Tools-Shop-Garage Equipment	280,156	66,237	213,918
10634400 CCNC Laboratory Equipment	0	(3,705)	3,705
10634500 CCNC Power Operated Equipment	0	(92,905)	92,905
10634600 CCNC Communication Equipment	21,679	(37,151)	58,830
10634700 CCNC Misc Equipment	62,260	11,619	50,641
10634800 CCNC Other Tangible Property	2,963	(12,858)	15,821
Total: Utility plant in service	427,075,579	28,648,619	398,426,960
10700000 CWIP	9,078,641	39,285	9,039,356
10780110 CWIP - Eng Clearing Dist Overhead	548,112	482,858	65,254
10780120 CWIP - Eng Clearing Eng Overhead	6,288	5,258	1,030
10780160 CWIP - Suspended CWIP Reserve	(22,825)	(261)	(22,564)
10780170 CWIP-T&I Indirect OH Clearing	0	0	0
Total: Construction work in progress	9,610,216	527,141	9,083,076
10801000 Accum Depreciation - Utility Plant in Service	(170,216,668)	(10,836,038)	(159,380,630)
10802000 Accum Depreciation - Salvage/Scrap	(4,771,285)	(189,722)	(4,581,563)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	47,278,353	273,881	47,004,472
10810000 Accum Depreciation - Reg Asset	(34,682)	(2,405)	(32,277)
Total: Accumulated depreciation/amortization	(127,754,142)	(10,754,284)	(116,999,858)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	305,182,074	18,421,476	286,760,598
Total: Total Property Plant & Equipment	305,182,074	18,421,476	286,760,598
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	23,106	20,240	2,866
13140103 PNC AWCC-Accounts Payable - Outbound Check	(174,964)	226,123	(401,087)
13140202 PNC AWCC-Payroll - Outbound ACH	0	0	0
13140203 PNC AWCC-Payroll - Outbound Check	0	0	0
13140303 PNC AWCC-Customer Refund - Outbound Check	(70,040)	136,916	(206,956)
13162600 US Bank TN - Main	163,492	(88,522)	252,013
13162608 US Bank TN - Customer Lockbox	0	0	0
13162609 US Bank TN - Credit Card and E-Checks	105,142	7,700	97,442
13162610 US Bank TN - Firstech Collections	603	87	516
13162611 US Bank TN - FiServ (aka CheckFree)	6,712	5,471	1,241

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Description	August 2022 Balance	Activity	Prior Year Balance
13162612 US Bank TN - Penn Credit	0	0	0
13162613 US Bank TN - E-Return - US Bank	0	0	0
13162614 US Bank TN -Credit Card & Echeck E-Returns	(120)	(14)	(105)
13162616 US Bank TN - NSF Return Payments	179	92	87
13199004 Cash Clearing - MI's	(681)	(681)	0
Total: Cash and cash equivalents	55,430	307,412	(251,983)
14100000 A/R - Customer - CIS Reconciliation	4,240,900	(680,322)	4,921,222
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	0	0	0
14100998 A/R - Customer - Payment Clarification	(10,644)	(7,107)	(3,536)
14100999 A/R - Customer - Returns Clarification	1,009	1,009	0
Total: Utility customer accounts receivable	4,231,265	(686,420)	4,917,685
14510000 A/R Assoc Cos - Miscellaneous	0	0	0
14510041 AR Associated Cos - AWI IOTG	160,307	160,307	0
14510100 A/R Assoc Cos - Reconciliation Account	56,198	(191,339)	247,537
14511001 A/R Assoc Cos - Service Company Bill	64,177	50,409	13,767
14573000 A/R Assoc Cos - Dividend Equivalents	0	0	0
Total: Receivable from affiliated companies	280,682	19,377	261,305
14610000 Misc A/R - Reconciliation Account	595,585	53,636	541,948
14611000 Misc A/R - Manual	1,440	11	1,429
14611200 Misc A/R - Retro Insurance	0	(69,166)	69,166
14611500 Misc A/R - Medicare Subsidy	48,941	(14,799)	63,740
14613000 Misc A/R - Employees	0	(23)	23
Total: Other receivables, net	645,966	(30,341)	676,307
14300000 Allowance for Uncollectible Accounts	(416,664)	141,456	(558,120)
14620000 Misc Rec - Allow for Uncollectible Accts	(27,423)	(6,983)	(20,440)
Total: Allowance for uncollectible accounts	(444,087)	134,473	(578,560)
Total: Accounts receivable, net	4,713,826	(562,911)	5,276,736
14400000 Unbilled Utility Revenue	2,746,173	104,132	2,642,041
Total: Unbilled revenues	2,746,173	104,132	2,642,041
15110000 Inventory - Plant Material	1,093,816	275,714	818,102
15130000 Inventory - Chemicals	271,202	126,162	145,040
15140000 Inventory - Other Materials & Supplies	13,415	13,049	367
Total: Materials and supplies	1,378,433	414,925	963,509
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	790,243	182,995	607,248
16520000 Prepaid Insurance	186,268	20,745	165,523
16530000 Prepaid PUC/PSC Assessment	78,034	9,697	68,338
16550000 Prepaid Other	66,296	(175)	66,471
16550010 Prepaid Other - Global	22,154	(2,121)	24,274
16611000 Reg Asset-OCA tax	0	0	0
16612000 Reg Asset-OCA non tax	0	0	0
Total: Other current assets	1,157,994	211,141	946,854
Total: Total Current Assets	10,051,856	474,699	9,577,157
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	83,985	27,047	56,937
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	1,791,386	0	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	203	202	0

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Description	August 2022 Balance	Activity	Prior Year Balance
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	145,733	(25,168)	170,900
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	66	66	0
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	2,622,468	0	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	(703,889)	(16,870)	(687,019)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	0	0	0
Total: Reg asset - income tax recovery	3,939,951	(14,722)	3,954,673
18661000 Reg Asset - Unamortized Debt Exp	9,054	(2,256)	11,310
18661500 Reg Asset - Unamortized Debt Exp Interco	1,265,148	(32,378)	1,297,526
Total: Debt and preferred stock expense	1,274,202	(34,634)	1,308,836
18680000 Reg Asset - Cost of Removal	0	0	0
18680100 Reg Asset - Cost of Removal - RWIP	0	0	0
18680101 Reg Asset - Deferred Vacation Pay	271,533	(45,063)	316,596
18680162 Reg Asset- Closing Costs	8,333	(1,000)	9,333
18680218 Regulatory Asset - "Make-Whole Premium"	168,193	(28,032)	196,225
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18680228 Reg Asset - Pandemic Costs	0	(557,914)	557,914
18689900 Reg Asset - Other	0	0	0
Total: Other regulatory assets	480,937	(632,009)	1,112,945
Total: Regulatory assets	5,695,089	(681,366)	6,376,455
18750000 LT Asset - Operating Lease Right-Of-Use Assets	2,308	(907)	3,215
Total: Operating lease right-of-use assets	2,308	(907)	3,215
18715700 LT Asset - Unamort Debt In - Revolver	40,568	(15,704)	56,272
Total: Other long-term assets	40,568	(15,704)	56,272
Total: Total Regulatory and other long-term assets	5,737,965	(697,977)	6,435,943
Total: ASSETS	320,971,896	18,198,198	302,773,698
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(75,692,517)	(34,069,356)	(41,623,161)
Total: Paid-in capital	(75,692,517)	(34,069,356)	(41,623,161)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(43,831,434)	(3,419,573)	(40,411,861)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(43,340,466)	(3,419,573)	(39,920,894)
Total: Total Stockholders' equity	(132,787,219)	(37,488,929)	(95,298,290)
Total: Total Equity	(132,787,219)	(37,488,929)	(95,298,290)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	331,062	(2,203)	333,265
22115000 Bonds - Interco	(102,280,321)	(5,000,000)	(97,280,321)
Total: Long-term debt	(107,649,259)	(5,002,203)	(102,647,056)
Total: Total Long-term debt	(107,649,259)	(5,002,203)	(102,647,056)
Total: Total Capitalization	(240,436,477)	(42,491,132)	(197,945,345)
23140005 N/P Term Loans - Intercompany	0	0	0
Total: Current - Term Loans	0	0	0
23121000 In-House Cash Center Bank	(2,190,663)	20,019,267	(22,209,930)
23121001 IHC Clearing - Outgoing Payment	(92,818)	37,393	(130,210)
23121002 IHC Clearing - Incoming Payment	0	0	0

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Description	August 2022 Balance	Activity	Prior Year Balance
Total: In-House Cash Center	(2,283,481)	20,056,660	(22,340,140)
Total: Short-term debt	(2,283,481)	20,056,660	(22,340,140)
23410000 A/P - Reconciliation Account	(2,245,450)	(499,130)	(1,746,319)
23410100 A/P Intercompany - Reconciliation Account	(177,550)	154,215	(331,764)
23411001 PCard Distributed-Clearing for Mapped Transactions	(14,760)	685	(15,445)
23430000 A/P - Miscellaneous	0	63,000	(63,000)
23430600 A/P - Workbasket Accrual	(131,766)	(88,023)	(43,742)
23430700 A/P - Pcard Accrual	(12,149)	176	(12,325)
23431000 A/P - Misc Global	(43,179)	39,952	(83,132)
23435000 A/P - Project Cost Accrual	(1,977,195)	1,159,831	(3,137,025)
23436000 A/P-GRIR Capital Services	(27,318)	3,747	(31,065)
Total: Accounts payable external	(4,629,365)	834,452	(5,463,817)
23510000 A/P Associated Companies	(4,163)	1,439	(5,602)
23520000 A/P Associated Companies - Service Co Bill	913,851	92,288	821,563
23520001 A/P Associated Companies - Service Co Bill	(908,099)	(59,272)	(848,827)
23530000 CFO - WLPP Interco	0	90	(90)
23530100 CFO - SLPP Interco	0	36	(36)
23530200 CFO - InHome Interco	0	27	(27)
23530300 CFO - WLPP/SLPP Interco	0	136	(136)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	36	(45)
23540000 CFO - WLPP Receivable Interco	0	0	0
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	(36)	74
23540100 CFO - SLPP Receivable Interco	(65)	(65)	0
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	(38)	64
23540200 CFO - InHome Receivable Interco	0	0	0
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	0	(23)	23
23540300 CFO - WLPP/SLPP Receivable Interco	0	0	0
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	0	(126)	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	(259)	0
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	0	(45)	45
Total: Accounts payable associated companies	1,320	34,186	(32,866)
Total: Accounts payable	(4,628,045)	868,638	(5,496,683)
23621000 Accrued FIT - Current Year	(1,368,081)	(797,200)	(570,881)
23622000 Accrued FIT - Prior Years	59,632	59,724	(92)
Total: Accrued federal income tax	(1,308,449)	(737,476)	(570,973)
23631000 Accrued SIT - Current Year	202,507	377,255	(174,748)
23632000 Accrued SIT - Prior Years	886,646	(436,848)	1,323,494
Total: Accrued state income tax	1,089,153	(59,593)	1,148,746
23652000 Accrued Tax - FUTA	(21)	(21)	0
23652100 Accrued Tax - FICA	(42,644)	(2,355)	(40,289)
23653000 Accrued Tax - Property Tax	(2,450,337)	258,660	(2,708,998)
23654000 Accrued Tax - Use Tax	(2,959)	(775)	(2,183)
23654110 Accrued Tax - Franchise Tax - Income Tax	(1,220,099)	(61,166)	(1,158,933)
Total: Other accrued taxes	(3,716,060)	194,343	(3,910,403)
Total: Taxes accrued, including income taxes	(3,935,356)	(602,727)	(3,332,630)
23720000 Interest Accrued - LTD	(223,440)	0	(223,440)

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Description	August 2022 Balance	Activity	Prior Year Balance
23730000 Interest Accrued - LTD Interco	(1,551,173)	(48,674)	(1,502,499)
Total: Interest accrued	(1,774,613)	(48,674)	(1,725,939)
24120000 Accrued Vacation Pay	(271,533)	45,063	(316,596)
24120200 Accrued Power	(245,617)	(69,974)	(175,643)
24120300 Accrued Legal	(33,230)	2,462	(35,692)
24120600 Accrued Wages	(228,970)	(19,097)	(209,874)
24120699 Accrued Wages - Net Adjustments Clearing	(516)	4,634	(5,150)
24120700 Accrued Insurance	8,400	70,959	(62,559)
24120710 Accrued Insurance Retro Adjustment	0	0	0
24121000 Accrued Waste Disposal	(46,300)	(19,912)	(26,388)
24121100 Accrued Retiree Medical	(19,204)	2,012	(21,216)
24121200 Accrued DCP - Contribution	(9,771)	(964)	(8,807)
24121400 Accrued Bank Fees	(11,481)	4,581	(16,062)
24121800 Accrued Severance	0	0	0
24122500 Refund Rates Under Bond	(216,783)	(98,415)	(118,368)
24122700 Accrued Employer 401k Match	(6,764)	(464)	(6,300)
24123000 Accrued Incentive Plan Cash	(343,149)	(17,722)	(325,427)
24126000 Miscellaneous Deposits Payable	(2,262)	(2,262)	0
24126200 Accrued Paving	0	9,247	(9,247)
24133000 Unclaimed Customer Credits	(202,501)	(180,360)	(22,142)
24133200 Unclaimed A/P Checks	(19,018)	(6,428)	(12,590)
24142006 WH PR - 401k Contributions	0	0	0
24142014 WH PR - ESPP	(16,528)	(662)	(15,866)
24150000 Operating Lease Current Liability	(928)	(21)	(907)
24161000 GRIR - Stock E (Materials)	(225,607)	(110,135)	(115,472)
24163000 GRIR - Stock C (Chemicals)	(84,017)	(36,279)	(47,738)
24164000 GRIR - Non-inventory	(237,431)	(715)	(236,716)
24171000 CFO Miscellaneous	(17)	(17)	0
24171006 CFO Customer Assistance Pledged	(638)	(11)	(627)
24172000 CFO Sales Tax	32,769,072	4,084,854	28,684,218
24172100 CFO Sales Tax - from CIS	(33,101,365)	(4,068,745)	(29,032,620)
24199100 Reg Liab-OCL taxable	0	0	0
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	0	0
24199700 Deferred Revenue - Current Portion	(288,106)	(23,587)	(264,520)
24199900 Other Current Liabilities - Non-Tax Sensitive	0	0	0
25299900 Advances for Construction - Current	(607,269)	(146,885)	(460,384)
Total: Other current liabilities	(3,441,536)	(578,843)	(2,862,693)
Total: Total Current Liabilities	(16,063,030)	19,695,055	(35,758,085)
25211000 Advances for Construction - NT Mains	(732,891)	(707,043)	(25,849)
25212000 Advances for Construction - NT Extension Deposits	(1,050,545)	780,516	(1,831,062)
25215000 Advances for Construction - NT Hydrants	(20,761)	(1,167)	(19,595)
25217000 Advances for Construction - NT WIP	(3,419,922)	(3,419,922)	0
25221000 Advances for Construction - Tax Mains	(1,641,248)	114,333	(1,755,581)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	45,222	(106,510)
25223000 Advances for Construction - Tax Services	(7,969)	376,109	(384,078)
25225000 Advances for Construction - Tax Hydrants	(42,251)	(20,074)	(22,177)

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Description	August 2022 Balance	Activity	Prior Year Balance
25227000 Advances for Construction - Tax WIP	(103,115)	2,625,471	(2,728,586)
25241000 Advances for Construction - Tax Mains - FIT	(1,187,114)	467,415	(1,654,529)
25243000 Advances for Construction - Tax Services - FIT	0	0	0
25245000 Advances for Construction - Tax Hydrants - FIT	(42,231)	(15,328)	(26,904)
25280000 Advances for Construction - Reclassed to Current	607,269	146,885	460,384
Total: Customer Advances for construction	(7,702,068)	392,418	(8,094,486)
25310000 Deferred FIT Liability – Property	1,481,653	1,499,321	(17,668)
25310100 Deferred FIT Liability - FAS109 Increment	(1,505,712)	(1,505,712)	0
25311000 Deferred FIT Liability – Non Property	(29,066,519)	(1,251,079)	(27,815,440)
25311100 Deferred FIT Liability - FAS109 Gross Up	(535,790)	(535,790)	0
Total: Federal Deferred income taxes long-term	(29,626,367)	(1,793,259)	(27,833,108)
25320000 Deferred SIT Liability - Property	(97)	(97)	0
25320100 Deferred SIT Liability - FAS109 Increment	(1,504)	(1,504)	0
25321000 Deferred SIT Liability – Non Property	(8,537,624)	(520,944)	(8,016,680)
Total: State Deferred income taxes long-term	(8,539,225)	(522,545)	(8,016,680)
Total: Deferred income taxes	(38,165,592)	(2,315,804)	(35,849,788)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(17,730)	5,542	(23,272)
25510300 Unamortized ITC - 10%	(5,274)	48,599	(53,873)
Total: Deferred investment tax credits	(23,004)	54,141	(77,145)
25700000 Reg Liab - Cost of Removal	17,454,098	3,406,457	14,047,642
25710000 Reg Liab - Cost of Removal RWIP	1,257,090	(1,706,393)	2,963,484
Total: Reg liability - cost of removal	18,711,189	1,700,063	17,011,125
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(15,151,175)	2,690,197	(17,841,372)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	(219,473)	4,064	(223,536)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	257,877	(4,779)	262,656
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	134,430	134,430	0
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	119,619	(2,284)	121,903
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	10,432	10,432	(0)
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	(7,673)	561	(8,233)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	(10,982)	8,080	(19,061)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	0	0	0
25632300 Reg Liab-Tax Cuts & Jobs Act Customer Refunds - LT	0	1,090,210	(1,090,210)
25632400 Reg Liab - Refund to Customers	0	0	0
25633000 Reg Liab - Pension Tracker	(2,005,859)	(651,672)	(1,354,187)
25636000 Reg Liab - Pandemic Costs	0	297,047	(297,047)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(815,400)	50,400	(865,800)
25689900 Reg Liab - Other	605,288	378,977	226,311
Total: Other regulatory liabilities	(17,082,915)	4,005,662	(21,088,577)
Total: Regulatory liabilities	1,628,274	5,705,725	(4,077,451)
26212000 Accrued Pension Expense	2,382,484	958,838	1,423,646
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,382,484	958,838	1,423,646
26221000 Accrued OPEB	3,926,840	1,550,094	2,376,746
26221500 Accrued OPEB Medicare Subsidy	(140,952)	(10,628)	(130,324)
Total: Accrued postretirement benefit expense	3,785,888	1,539,465	2,246,422

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Description	August 2022 Balance	Activity	Prior Year Balance
26300000 Operating Lease Long-Term Liability	(1,380)	928	(2,308)
Total: Operating lease long-term liabilities	(1,380)	928	(2,308)
26580000 FIN 48 Reserve - Federal	(461,657)	(357,998)	(103,659)
26581000 FIN 48 Reserve - State	(165,705)	9,297	(175,002)
Total: Other tax liabilities	(627,362)	(348,701)	(278,661)
Total: Other Deferred Credits	(627,362)	(348,701)	(278,661)
Total: Regulatory and other long-term liabilities	(38,722,760)	5,987,011	(44,709,772)
27111000 CIAC-Non Taxable - Mains	(6,174,295)	(248,059)	(5,926,236)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	(503,701)	(7,924,695)
27113000 CIAC-Non Taxable - Services	(496,083)	(3,445)	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,349,603)	(56,799)	(1,292,804)
27116000 CIAC-Non Taxable - Other	(3,083,061)	(104,000)	(2,979,061)
27117000 CIAC-Non Taxable - WIP	(249,879)	(249,879)	0
27121000 CIAC-Taxable - Mains	(2,375,613)	(77,999)	(2,297,614)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,722,509)	(437,548)	(2,284,961)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(314,414)	(13,702)	(300,712)
27127000 CIAC-Taxable - WIP	(199,929)	183,729	(383,658)
27141000 CIAC-Taxable - Mains FIT	(441,818)	(46,401)	(395,416)
27143000 CIAC-Taxable - Services FIT	(42,067)	(40,735)	(1,331)
27145000 CIAC-Taxable - Hydrants FIT	(39,594)	7,683	(47,277)
27206000 Accum Amort CIAC - Other	5,672,336	252,851	5,419,485
27210000 Accum Amort CIAC - Tax	1,152,373	77,198	1,075,175
Total: Contributions in aid of construction	(19,317,767)	(1,260,808)	(18,056,959)
Total: CAPITAL AND LIABILITIES	(314,540,034)	(18,069,874)	(296,470,160)
Total: BALANCE SHEET (Net Profit)	6,431,862	128,324	6,303,538

Tennessee American Water Company
Trial Balance as of September 30, 2022

Description	September 2022 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	896,090	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	715,780	23,981	691,799
10130420 UPIS - Struct & Imp - Pumping	7,805,516	651,451	7,154,065
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	(69)	18,584,075
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,404,475	364,510	4,039,965
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	88,376	767,741
10131120 UPIS - Pumping Equipment - Electric	5,245,217	79,810	5,165,407
10131130 UPIS - Pumping Equipment - Diesel	92,937	(26,359)	119,296
10131150 UPIS - Pumping Equipment - Other	1,556,701	891,561	665,140
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	(2,714)	2,622,912
10132010 UPIS - Water Treatment Equipment	28,162,389	709,260	27,453,129
10133000 UPIS - Distribution Reservoirs & Standpipes	14,760,392	(39,685)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	158,067,223	5,986,185	152,081,038
10133300 UPIS - Services	32,617,742	318,377	32,299,365
10133410 UPIS - Meters	17,700,198	617,074	17,083,123
10133420 UPIS - Meter Installations	22,501,249	1,468,727	21,032,521
10133500 UPIS - Hydrants	12,452,879	905,198	11,547,680
10133910 UPIS - Other P/E - Intangible	1,450,178	1,049,122	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	14,966,697	2,181,275	12,785,423
10134100 UPIS - Transportation Equipment	7,114,510	1,020,041	6,094,469
10134200 UPIS - Stores Equipment	0	(24,072)	24,072
10134300 UPIS - Tools-Shop-Garage Equipment	872,000	234,640	637,360
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,251,014	210,223	2,040,790
10134700 UPIS - Misc Equipment	477,331	14,549	462,783
10134800 UPIS - Other Tangible Property	17,776	12,858	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10630360 CCNC Land & Land Rights - Adm & Gen	0	(896,090)	896,090
10630410 CCNC Struct & Imp - Source of Supply	41,258	36,729	4,529
10630420 CCNC Struct & Imp - Pumping	487,118	(622,571)	1,109,689
10630430 CCNC Struct & Imp - Water Treatment	14,261,890	2,534,295	11,727,596
10630440 CCNC Struct & Imp - Transmission & Distribution	0	(106,686)	106,686
10630450 CCNC Struct & Imp - Admin & General	721,829	(229,033)	950,861
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	2,365	1,346,680
10631120 CCNC Pumping Equipment - Electric	683	(32,235)	32,918
10631150 CCNC Pumping Equipment - Other	5,041,066	3,196,328	1,844,738

Tennessee American Water Company
Trial Balance as of September 30, 2022

Description	September 2022 Balance	Activity	Prior Year Balance
10632010 CCNC - Water Treatment Equipment - Non-Media	2,657,176	496,369	2,160,807
10633000 CCNC - Distribution Reservoirs & Standpipes	4,281,474	1,634,852	2,646,622
10633100 CCNC - Transmssn & Distr Mains Not Classified	19,849,684	1,195,065	18,654,619
10633300 CCNC Services	378,396	93,635	284,761
10633410 CCNC Meters	5,583,690	2,290,127	3,293,563
10633420 CCNC Meter Installations	1,319,983	543,240	776,743
10633500 CCNC Hydrants	566,860	209,656	357,205
10633910 CCNC Other P/E Intangible	130,284	0	130,284
10634010 CCNC Office Furniture & Equipment	3,928,451	(3,481,834)	7,410,284
10634100 CCNC Transportation Equipment Not Classified	2,136,731	328,224	1,808,507
10634300 CCNC Tools-Shop-Garage Equipment	184,428	(7,432)	191,860
10634600 CCNC Communication Equipment	21,679	(38,856)	60,534
10634700 CCNC Misc Equipment	62,260	7,725	54,535
10634800 CCNC Other Tangible Property	2,963	(12,858)	15,821
Total: Utility plant in service	425,372,680	24,771,424	400,601,257
10700000 CWIP	10,718,556	530,845	10,187,711
10780110 CWIP - Eng Clearing Dist Overhead	446,140	419,935	26,205
10780120 CWIP - Eng Clearing Eng Overhead	8,358	7,273	1,085
10780160 CWIP - Suspended CWIP Reserve	(22,825)	(261)	(22,564)
Total: Construction work in progress	11,150,229	957,792	10,192,437
10801000 Accum Depreciation - Utility Plant in Service	(171,176,069)	(10,931,959)	(160,244,110)
10802000 Accum Depreciation - Salvage/Scrap	(4,779,633)	(198,070)	(4,581,563)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	50,435,662	3,222,894	47,212,768
10810000 Accum Depreciation - Reg Asset	(34,775)	(2,498)	(32,277)
Total: Accumulated depreciation/amortization	(125,564,675)	(7,909,633)	(117,655,042)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	307,208,656	17,819,583	289,389,073
Total: Total Property Plant & Equipment	307,208,656	17,819,583	289,389,073
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	26	(274)	300
13140103 PNC AWCC-Accounts Payable - Outbound Check	(105,594)	104,023	(209,617)
13140303 PNC AWCC-Customer Refund - Outbound Check	(67,572)	138,248	(205,820)
13162600 US Bank TN - Main	125,403	(42,011)	167,414
13162609 US Bank TN - Credit Card and E-Checks	108,086	(6,351)	114,437
13162610 US Bank TN - Firstech Collections	141	(143)	284
13162611 US Bank TN - FiServ (aka CheckFree)	4,108	629	3,479
13162612 US Bank TN - Penn Credit	449	449	0
13162614 US Bank TN -Credit Card & Echeck E-Returns	(313)	6	(319)
13162616 US Bank TN - NSF Return Payments	17	(12)	29
Total: Cash and cash equivalents	66,751	194,563	(127,812)
14100000 A/R - Customer - CIS Reconciliation	5,494,681	858,507	4,636,173
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	429,827	(13,100)	442,927
14100998 A/R - Customer - Payment Clarification	(712)	(712)	0

Tennessee American Water Company
Trial Balance as of September 30, 2022

Description	September 2022 Balance	Activity	Prior Year Balance
Total: Utility customer accounts receivable	5,923,796	844,696	5,079,101
14510000 A/R Assoc Cos - Miscellaneous	(72,441)	153,016	(225,457)
14510041 AR Associated Cos - AWI IOTG	160,307	160,307	0
14510100 A/R Assoc Cos - Reconciliation Account	73,016	(152,735)	225,751
14511001 A/R Assoc Cos - Service Company Bill	152,829	128,751	24,077
Total: Receivable from affiliated companies	313,711	289,339	24,372
14610000 Misc A/R - Reconciliation Account	577,023	24,433	552,590
14611000 Misc A/R - Manual	1,447	17	1,430
14611200 Misc A/R - Retro Insurance	0	(69,166)	69,166
14611500 Misc A/R - Medicare Subsidy	51,084	(15,306)	66,390
14613000 Misc A/R - Employees	0	(38)	38
Total: Other receivables, net	629,554	(60,060)	689,614
14300000 Allowance for Uncollectible Accounts	(443,429)	120,424	(563,853)
14620000 Misc Rec - Allow for Uncollectible Accts	(29,033)	5,077	(34,111)
Total: Allowance for uncollectible accounts	(472,462)	125,501	(597,963)
Total: Accounts receivable, net	6,394,600	1,199,477	5,195,123
14400000 Unbilled Utility Revenue	2,291,352	141,106	2,150,247
Total: Unbilled revenues	2,291,352	141,106	2,150,247
15110000 Inventory - Plant Material	1,091,721	310,928	780,793
15130000 Inventory - Chemicals	317,172	167,593	149,579
15140000 Inventory - Other Materials & Supplies	5,314	(2,794)	8,107
Total: Materials and supplies	1,414,207	475,728	938,479
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	711,218	164,696	546,523
16520000 Prepaid Insurance	114,940	16,249	98,691
16530000 Prepaid PUC/PSC Assessment	58,526	7,272	51,253
16550000 Prepaid Other	52,220	(8,976)	61,195
16550010 Prepaid Other - Global	43,788	31,198	12,590
16611000 Reg Asset-OCA tax	171,892	(19,755)	191,647
16612000 Reg Asset-OCA non tax	0	0	0
Total: Other current assets	1,167,583	190,684	976,899
Total: Total Current Assets	11,334,494	2,201,557	9,132,937
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	83,985	16,605	67,380
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	1,791,386	0	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	228	228	0
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	145,733	(18,876)	164,609
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	74	74	0
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	2,622,468	0	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	(703,889)	(12,653)	(691,236)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	(3,939,985)	14,622	(3,954,607)
Total: Reg asset - income tax recovery	0	0	0
18661000 Reg Asset - Unamortized Debt Exp	8,866	(2,256)	11,122
18661500 Reg Asset - Unamortized Debt Exp Interco	1,258,683	(32,727)	1,291,410
Total: Debt and preferred stock expense	1,267,549	(34,983)	1,302,532
18680000 Reg Asset - Cost of Removal	17,556,228	3,470,884	14,085,344

Tennessee American Water Company
Trial Balance as of September 30, 2022

Description	September 2022 Balance	Activity	Prior Year Balance
18680100 Reg Asset - Cost of Removal - RWIP	1,301,456	(1,984,650)	3,286,106
18680162 Reg Asset- Closing Costs	8,250	(1,000)	9,250
18680218 Regulatory Asset - "Make-Whole Premium"	165,857	(28,032)	193,889
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18680228 Reg Asset - Pandemic Costs	0	(557,657)	557,657
18689900 Reg Asset - Other	761,382	518,774	242,608
Total: Other regulatory assets	19,826,050	1,418,319	18,407,730
Total: Regulatory assets	21,093,599	1,383,337	19,710,263
18750000 LT Asset - Operating Lease Right-Of-Use Assets	2,231	(909)	3,140
Total: Operating lease right-of-use assets	2,231	(909)	3,140
18715700 LT Asset - Unamort Debt In - Revolver	39,260	(15,704)	54,964
Total: Other long-term assets	39,260	(15,704)	54,964
Total: Total Regulatory and other long-term assets	21,135,090	1,366,723	19,768,367
Total: ASSETS	339,678,240	21,387,864	318,290,376
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(75,714,685)	(34,079,447)	(41,635,239)
Total: Paid-in capital	(75,714,685)	(34,079,447)	(41,635,239)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(43,831,434)	(3,419,573)	(40,411,861)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(43,340,466)	(3,419,573)	(39,920,894)
Total: Total Stockholders' equity	(132,809,387)	(37,499,019)	(95,310,367)
Total: Total Equity	(132,809,387)	(37,499,019)	(95,310,367)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	329,469	(2,334)	331,803
22115000 Bonds - Interco	(102,280,321)	(5,000,000)	(97,280,321)
Total: Long-term debt	(107,650,852)	(5,002,334)	(102,648,518)
Total: Total Long-term debt	(107,650,852)	(5,002,334)	(102,648,518)
Total: Total Capitalization	(240,460,239)	(42,501,354)	(197,958,885)
23121000 In-House Cash Center Bank	(6,733,582)	18,867,987	(25,601,569)
23121001 IHC Clearing - Outgoing Payment	(204,340)	373,166	(577,506)
Total: In-House Cash Center	(6,937,922)	19,241,154	(26,179,075)
Total: Short-term debt	(6,937,922)	19,241,154	(26,179,075)
23410000 A/P - Reconciliation Account	(2,646,888)	314,332	(2,961,220)
23410100 A/P Intercompany - Reconciliation Account	(340,466)	(27,019)	(313,446)
23411001 PCard Distributed-Clearing for Mapped Transactions	(12,834)	531	(13,365)
23430000 A/P - Miscellaneous	0	31,000	(31,000)
23430600 A/P - Workbasket Accrual	(85,957)	(36,824)	(49,133)
23430700 A/P - Pcard Accrual	(20,884)	(1,329)	(19,555)
23431000 A/P - Misc Global	(105,732)	(57,534)	(48,198)
23435000 A/P - Project Cost Accrual	(1,934,516)	1,130,401	(3,064,917)
23436000 A/P-GRIR Capital Services	(36,505)	15,162	(51,667)
Total: Accounts payable external	(5,183,781)	1,368,720	(6,552,502)
23510000 A/P Associated Companies	71,587	(152,285)	223,872

Tennessee American Water Company
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Description	September 2022 Balance	Activity	Prior Year Balance
23520000 A/P Associated Companies - Service Co Bill	843,923	8,863	835,060
23520001 A/P Associated Companies - Service Co Bill	(1,039,145)	40,761	(1,079,905)
23530000 CFO - WLPP Interco	0	90	(90)
23530100 CFO - SLPP Interco	0	36	(36)
23530200 CFO - InHome Interco	0	27	(27)
23530300 CFO - WLPP/SLPP Interco	0	136	(136)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	36	(45)
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	(36)	74
23540100 CFO - SLPP Receivable Interco	(65)	(65)	0
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	(38)	64
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	0	(23)	23
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	0	(126)	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	(259)	0
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	0	(45)	45
Total: Accounts payable associated companies	(123,903)	(102,930)	(20,974)
Total: Accounts payable	(5,307,685)	1,265,791	(6,573,475)
23621000 Accrued FIT - Current Year	(1,462,360)	(857,587)	(604,773)
23622000 Accrued FIT - Prior Years	59,632	59,724	(92)
Total: Accrued federal income tax	(1,402,727)	(797,863)	(604,865)
23631000 Accrued SIT - Current Year	230,854	487,485	(256,631)
23632000 Accrued SIT - Prior Years	886,646	(436,848)	1,323,494
Total: Accrued state income tax	1,117,500	50,637	1,066,863
23652000 Accrued Tax - FUTA	(21)	(21)	0
23652100 Accrued Tax - FICA	(50,761)	(1,014)	(49,747)
23653000 Accrued Tax - Property Tax	(2,749,900)	(86,491)	(2,663,409)
23654000 Accrued Tax - Use Tax	(8,204)	(6,036)	(2,168)
23654110 Accrued Tax - Franchise Tax - Income Tax	(1,281,099)	(64,166)	(1,216,933)
Total: Other accrued taxes	(4,089,985)	(157,728)	(3,932,257)
Total: Taxes accrued, including income taxes	(4,375,212)	(904,953)	(3,470,259)
23720000 Interest Accrued - LTD	(37,240)	0	(37,240)
23730000 Interest Accrued - LTD Interco	(910,293)	(67,215)	(843,077)
Total: Interest accrued	(947,533)	(67,215)	(880,317)
24120000 Accrued Vacation Pay	(171,892)	19,755	(191,647)
24120200 Accrued Power	(191,383)	(14,378)	(177,005)
24120300 Accrued Legal	(32,475)	27,146	(59,621)
24120600 Accrued Wages	(296,037)	(24,183)	(271,855)
24120699 Accrued Wages - Net Adjustments Clearing	(774)	4,376	(5,150)
24120700 Accrued Insurance	(7,547)	70,994	(78,540)
24121000 Accrued Waste Disposal	(51,754)	(25,366)	(26,388)
24121100 Accrued Retiree Medical	(22,050)	1,350	(23,400)
24121200 Accrued DCP - Contribution	(12,276)	(1,162)	(11,114)
24121400 Accrued Bank Fees	(17,448)	(1,817)	(15,632)
24122500 Refund Rates Under Bond	(158,252)	(57,582)	(100,670)
24122700 Accrued Employer 401k Match	(8,450)	(317)	(8,133)
24123000 Accrued Incentive Plan Cash	(386,043)	6,095	(392,138)

Tennessee American Water Company
Trial Balance as of September 30, 2022

Description	September 2022 Balance	Activity	Prior Year Balance
24126200 Accrued Paving	0	6,484	(6,484)
24133000 Unclaimed Customer Credits	(185,302)	(163,144)	(22,159)
24133200 Unclaimed A/P Checks	(19,018)	(6,428)	(12,590)
24142014 WH PR - ESPP	(4,791)	13	(4,805)
24150000 Operating Lease Current Liability	(930)	(21)	(909)
24161000 GRIR - Stock E (Materials)	(87,810)	13,426	(101,236)
24163000 GRIR - Stock C (Chemicals)	(108,304)	(59,968)	(48,336)
24164000 GRIR - Non-inventory	(245,438)	156,193	(401,631)
24171000 CFO Miscellaneous	(17)	(17)	0
24171006 CFO Customer Assistance Pledged	(48)	7	(55)
24172000 CFO Sales Tax	33,101,365	4,069,432	29,031,933
24172100 CFO Sales Tax - from CIS	(33,473,713)	(4,094,539)	(29,379,174)
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	999,359	(999,359)
24199900 Other Current Liabilities - Non-Tax Sensitive	(429,827)	13,100	(442,927)
25299900 Advances for Construction - Current	(641,898)	(108,280)	(533,618)
Total: Other current liabilities	(3,452,113)	830,531	(4,282,643)
Total: Total Current Liabilities	(21,020,463)	20,365,306	(41,385,770)
25211000 Advances for Construction - NT Mains	(732,891)	(707,043)	(25,849)
25212000 Advances for Construction - NT Extension Deposits	(1,050,545)	469,640	(1,520,185)
25215000 Advances for Construction - NT Hydrants	(20,761)	(1,167)	(19,595)
25217000 Advances for Construction - NT WIP	(3,730,709)	(3,730,709)	0
25221000 Advances for Construction - Tax Mains	(1,638,646)	121,191	(1,759,838)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	45,222	(106,510)
25223000 Advances for Construction - Tax Services	(7,969)	358,779	(366,748)
25225000 Advances for Construction - Tax Hydrants	(42,527)	(20,349)	(22,177)
25227000 Advances for Construction - Tax WIP	(107,767)	2,631,047	(2,738,814)
25241000 Advances for Construction - Tax Mains - FIT	(1,184,512)	474,273	(1,658,786)
25245000 Advances for Construction - Tax Hydrants - FIT	(42,507)	(15,603)	(26,904)
25280000 Advances for Construction - Reclassed to Current	641,898	108,280	533,618
Total: Customer Advances for construction	(7,978,226)	(266,439)	(7,711,787)
25310000 Deferred FIT Liability – Property	1,669,886	1,687,554	(17,668)
25310100 Deferred FIT Liability - FAS109 Increment	(1,694,747)	(1,694,747)	0
25311000 Deferred FIT Liability – Non Property	(29,142,443)	(1,760,099)	(27,382,343)
25311100 Deferred FIT Liability - FAS109 Gross Up	(603,056)	(603,056)	0
Total: Federal Deferred income taxes long-term	(29,770,360)	(2,370,348)	(27,400,011)
25320000 Deferred SIT Liability - Property	(109)	(109)	0
25320100 Deferred SIT Liability - FAS109 Increment	(1,692)	(1,692)	0
25321000 Deferred SIT Liability – Non Property	(8,563,354)	(619,609)	(7,943,745)
Total: State Deferred income taxes long-term	(8,565,156)	(621,411)	(7,943,745)
Total: Deferred income taxes	(38,335,515)	(2,991,759)	(35,343,756)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(17,233)	5,642	(22,875)
25510300 Unamortized ITC - 10%	(2,040)	46,124	(48,164)
Total: Deferred investment tax credits	(19,273)	51,766	(71,039)
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(14,912,906)	2,721,112	(17,634,017)

Tennessee American Water Company
Trial Balance as of September 30, 2022

Description	September 2022 Balance	Activity	Prior Year Balance
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	(219,473)	3,048	(222,520)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	257,877	(3,585)	261,461
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	151,307	151,307	0
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	119,619	(1,713)	121,332
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	11,742	11,742	(0)
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	(7,673)	420	(8,093)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	(10,982)	6,060	(17,042)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	3,939,985	(14,622)	3,954,607
25633000 Reg Liab - Pension Tracker	(2,067,759)	(674,454)	(1,393,305)
25636000 Reg Liab - Pandemic Costs	0	300,252	(300,252)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(815,400)	50,400	(865,800)
Total: Other regulatory liabilities	(13,553,661)	2,549,967	(16,103,629)
Total: Regulatory liabilities	(13,553,661)	2,549,967	(16,103,629)
26212000 Accrued Pension Expense	2,423,454	974,501	1,448,953
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,423,454	974,501	1,448,953
26221000 Accrued OPEB	4,028,494	1,556,036	2,472,458
26221500 Accrued OPEB Medicare Subsidy	(143,095)	(10,121)	(132,974)
Total: Accrued postretirement benefit expense	3,885,399	1,545,914	2,339,484
26300000 Operating Lease Long-Term Liability	(1,302)	930	(2,231)
Total: Operating lease long-term liabilities	(1,302)	930	(2,231)
26580000 FIN 48 Reserve - Federal	(577,436)	(146,202)	(431,235)
26581000 FIN 48 Reserve - State	(214,648)	37,287	(251,935)
Total: Other tax liabilities	(792,084)	(108,914)	(683,170)
Total: Other Deferred Credits	(792,084)	(108,914)	(683,170)
Total: Regulatory and other long-term liabilities	(54,371,208)	1,755,966	(56,127,175)
27111000 CIAC-Non Taxable - Mains	(6,174,295)	(248,059)	(5,926,236)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	(192,824)	(8,235,572)
27113000 CIAC-Non Taxable - Services	(496,083)	(3,445)	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,349,603)	(56,799)	(1,292,804)
27116000 CIAC-Non Taxable - Other	(3,083,061)	(104,000)	(2,979,061)
27117000 CIAC-Non Taxable - WIP	(275,638)	(275,638)	0
27121000 CIAC-Taxable - Mains	(2,375,613)	(77,999)	(2,297,614)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,722,509)	(420,217)	(2,302,292)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(314,414)	(11,405)	(303,009)
27127000 CIAC-Taxable - WIP	(214,437)	164,627	(379,064)
27141000 CIAC-Taxable - Mains FIT	(441,818)	(46,401)	(395,416)
27143000 CIAC-Taxable - Services FIT	(42,067)	(40,735)	(1,331)
27145000 CIAC-Taxable - Hydrants FIT	(39,594)	9,979	(49,574)
27206000 Accum Amort CIAC - Other	5,693,820	253,854	5,439,966
27210000 Accum Amort CIAC - Tax	1,158,581	77,141	1,081,440
Total: Contributions in aid of construction	(19,330,342)	(971,922)	(18,358,420)

Tennessee American Water Company
Trial Balance as of September 30, 2022

Description	September 2022 Balance	Activity	Prior Year Balance
Total: CAPITAL AND LIABILITIES	(335,182,253)	(21,352,003)	(313,830,250)
Total: BALANCE SHEET (Net Profit)	4,495,987	35,860	4,460,127

Tennessee American Water Company
Trial Balance as of October 31, 2022

Description	October 2022 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	896,090	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	715,780	23,981	691,799
10130420 UPIS - Struct & Imp - Pumping	7,805,516	651,451	7,154,065
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	(69)	18,584,075
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,404,475	364,510	4,039,965
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	88,376	767,741
10131120 UPIS - Pumping Equipment - Electric	5,245,217	79,810	5,165,407
10131130 UPIS - Pumping Equipment - Diesel	92,937	(26,359)	119,296
10131150 UPIS - Pumping Equipment - Other	1,556,701	891,561	665,140
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	(2,714)	2,622,912
10132010 UPIS - Water Treatment Equipment	28,161,386	652,801	27,508,584
10133000 UPIS - Distribution Reservoirs & Standpipes	14,760,392	(39,685)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	158,176,231	5,996,871	152,179,360
10133300 UPIS - Services	32,617,742	310,479	32,307,263
10133410 UPIS - Meters	17,699,207	610,485	17,088,721
10133420 UPIS - Meter Installations	22,501,249	1,463,072	21,038,176
10133500 UPIS - Hydrants	12,451,701	840,066	11,611,635
10133910 UPIS - Other P/E - Intangible	1,450,178	1,049,122	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	14,967,537	2,167,080	12,800,457
10134100 UPIS - Transportation Equipment	7,114,510	1,020,041	6,094,469
10134200 UPIS - Stores Equipment	0	(24,072)	24,072
10134300 UPIS - Tools-Shop-Garage Equipment	872,000	234,640	637,360
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,251,014	197,830	2,053,183
10134700 UPIS - Misc Equipment	477,331	14,549	462,783
10134800 UPIS - Other Tangible Property	17,776	12,858	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10630360 CCNC Land & Land Rights - Adm & Gen	0	(896,090)	896,090
10630410 CCNC Struct & Imp - Source of Supply	41,258	36,710	4,548
10630420 CCNC Struct & Imp - Pumping	487,118	(638,440)	1,125,558
10630430 CCNC Struct & Imp - Water Treatment	14,261,890	2,533,354	11,728,536
10630440 CCNC Struct & Imp - Transmission & Distribution	0	(106,686)	106,686
10630450 CCNC Struct & Imp - Admin & General	721,829	(228,953)	950,782
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	2,365	1,346,680
10631120 CCNC Pumping Equipment - Electric	9,316	(23,618)	32,934
10631150 CCNC Pumping Equipment - Other	5,106,330	1,149,554	3,956,776

Tennessee American Water Company
Trial Balance as of October 31, 2022

Description	October 2022 Balance	Activity	Prior Year Balance
10631152 CCNC Pumping Equipment - Source of Supply	48,835	48,835	0
10632010 CCNC - Water Treatment Equipment - Non-Media	2,658,708	553,266	2,105,442
10633000 CCNC - Distribution Reservoirs & Standpipes	4,292,981	1,646,359	2,646,622
10633100 CCNC - Transmssn & Distr Mains Not Classified	19,888,547	722,914	19,165,633
10633300 CCNC Services	410,010	89,254	320,756
10633410 CCNC Meters	5,706,144	2,313,564	3,392,580
10633420 CCNC Meter Installations	1,483,298	2,797	1,480,501
10633500 CCNC Hydrants	770,668	394,770	375,898
10633910 CCNC Other P/E Intangible	130,284	0	130,284
10634010 CCNC Office Furniture & Equipment	4,110,836	(2,897,750)	7,008,586
10634100 CCNC Transportation Equipment Not Classified	2,214,004	420,096	1,793,908
10634300 CCNC Tools-Shop-Garage Equipment	193,272	1,413	191,860
10634600 CCNC Communication Equipment	22,979	(25,163)	48,142
10634700 CCNC Misc Equipment	115,746	61,211	54,535
10634800 CCNC Other Tangible Property	2,963	(12,858)	15,821
Total: Utility plant in service	426,498,470	22,619,679	403,878,791
10700000 CWIP	11,572,441	2,012,829	9,559,612
10780110 CWIP - Eng Clearing Dist Overhead	423,377	389,009	34,369
10780120 CWIP - Eng Clearing Eng Overhead	7,812	6,488	1,325
10780160 CWIP - Suspended CWIP Reserve	(22,825)	(261)	(22,564)
Total: Construction work in progress	11,980,806	2,408,065	9,572,741
10801000 Accum Depreciation - Utility Plant in Service	(172,115,803)	(11,000,027)	(161,115,776)
10802000 Accum Depreciation - Salvage/Scrap	(4,779,885)	(198,322)	(4,581,563)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	50,441,495	3,219,715	47,221,780
10810000 Accum Depreciation - Reg Asset	(34,868)	(2,591)	(32,277)
Total: Accumulated depreciation/amortization	(126,498,921)	(7,981,226)	(118,517,696)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	308,230,776	17,046,518	291,184,258
Total: Total Property Plant & Equipment	308,230,776	17,046,518	291,184,258
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	0	(55)	55
13140103 PNC AWCC-Accounts Payable - Outbound Check	(110,518)	695,428	(805,946)
13140303 PNC AWCC-Customer Refund - Outbound Check	(71,591)	141,908	(213,499)
13162600 US Bank TN - Main	406,205	241,792	164,414
13162608 US Bank TN - Customer Lockbox	100	100	0
13162609 US Bank TN - Credit Card and E-Checks	172,670	53,076	119,594
13162610 US Bank TN - Firstech Collections	1,106	681	425
13162611 US Bank TN - FiServ (aka CheckFree)	11,224	6,791	4,433
13162612 US Bank TN - Penn Credit	450	(1,277)	1,727
13162614 US Bank TN -Credit Card & Echeck E-Returns	1,005	9,104	(8,099)
13162616 US Bank TN - NSF Return Payments	(213)	(213)	0
13199004 Cash Clearing - MI's	(2,278)	(917)	(1,361)
Total: Cash and cash equivalents	410,159	1,146,417	(736,258)

Tennessee American Water Company
Trial Balance as of October 31, 2022

Description	October 2022 Balance	Activity	Prior Year Balance
14100000 A/R - Customer - CIS Reconciliation	5,007,068	400,771	4,606,297
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	0	0	0
14100998 A/R - Customer - Payment Clarification	0	0	0
14100999 A/R - Customer - Returns Clarification	155	155	0
Total: Utility customer accounts receivable	5,007,223	400,926	4,606,297
14510000 A/R Assoc Cos - Miscellaneous	616	616	0
14510041 AR Associated Cos - AWI IOTG	160,307	160,307	0
14510100 A/R Assoc Cos - Reconciliation Account	57,941	(169,590)	227,531
14511001 A/R Assoc Cos - Service Company Bill	61,563	30,396	31,167
Total: Receivable from affiliated companies	280,428	21,729	258,698
14610000 Misc A/R - Reconciliation Account	577,028	27,743	549,285
14611000 Misc A/R - Manual	1,450	20	1,430
14611200 Misc A/R - Retro Insurance	0	(69,166)	69,166
14611500 Misc A/R - Medicare Subsidy	53,227	(15,813)	69,040
14613000 Misc A/R - Employees	0	(106)	106
Total: Other receivables, net	631,705	(57,322)	689,027
14300000 Allowance for Uncollectible Accounts	(446,575)	129,951	(576,526)
14620000 Misc Rec - Allow for Uncollectible Accts	(29,033)	5,077	(34,111)
Total: Allowance for uncollectible accounts	(475,608)	135,029	(610,637)
Total: Accounts receivable, net	5,443,748	500,362	4,943,386
14400000 Unbilled Utility Revenue	2,371,707	110,233	2,261,474
Total: Unbilled revenues	2,371,707	110,233	2,261,474
15110000 Inventory - Plant Material	1,231,283	297,373	933,910
15130000 Inventory - Chemicals	349,216	179,392	169,824
15140000 Inventory - Other Materials & Supplies	1,310	(35,529)	36,838
Total: Materials and supplies	1,581,809	441,236	1,140,573
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	632,194	146,396	485,798
16520000 Prepaid Insurance	157,938	15,951	141,987
16530000 Prepaid PUC/PSC Assessment	39,017	4,848	34,169
16550000 Prepaid Other	36,916	2,565	34,351
16550010 Prepaid Other - Global	40,639	28,623	12,016
16611000 Reg Asset-OCA tax	0	0	0
16612000 Reg Asset-OCA non tax	0	0	0
Total: Other current assets	921,704	198,383	723,321
Total: Total Current Assets	10,729,127	2,396,630	8,332,497
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	83,985	16,605	67,380
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	1,791,386	0	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	259	258	0
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	145,733	(12,584)	158,317
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	(5)	(5)	0
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	2,622,468	0	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	(703,889)	(8,435)	(695,454)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	0	0	0
Total: Reg asset - income tax recovery	3,939,936	(4,161)	3,944,097

Tennessee American Water Company
Trial Balance as of October 31, 2022

Description	October 2022 Balance	Activity	Prior Year Balance
18661000 Reg Asset - Unamortized Debt Exp	8,678	(2,256)	10,934
18661500 Reg Asset - Unamortized Debt Exp Interco	1,252,219	(33,075)	1,285,294
Total: Debt and preferred stock expense	1,260,897	(35,331)	1,296,228
18680000 Reg Asset - Cost of Removal	0	0	0
18680100 Reg Asset - Cost of Removal - RWIP	0	0	0
18680101 Reg Asset - Deferred Vacation Pay	289,441	(18,839)	308,280
18680162 Reg Asset- Closing Costs	8,167	(1,000)	9,167
18680218 Regulatory Asset - "Make-Whole Premium"	163,521	(28,032)	191,553
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18680228 Reg Asset - Pandemic Costs	0	(557,842)	557,842
18689900 Reg Asset - Other	0	0	0
Total: Other regulatory assets	494,006	(605,713)	1,099,719
Total: Regulatory assets	5,694,839	(645,205)	6,340,044
18750000 LT Asset - Operating Lease Right-Of-Use Assets	2,155	(911)	3,065
Total: Operating lease right-of-use assets	2,155	(911)	3,065
18715700 LT Asset - Unamort Debt In - Revolver	92,871	39,216	53,655
Total: Other long-term assets	92,871	39,216	53,655
Total: Total Regulatory and other long-term assets	5,789,864	(606,900)	6,396,765
Total: ASSETS	324,749,767	18,836,248	305,913,519
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(75,714,685)	(20,079,447)	(55,635,239)
Total: Paid-in capital	(75,714,685)	(20,079,447)	(55,635,239)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(43,831,434)	(3,419,573)	(40,411,861)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(43,340,466)	(3,419,573)	(39,920,894)
Total: Total Stockholders' equity	(132,809,387)	(23,499,019)	(109,310,367)
Total: Total Equity	(132,809,387)	(23,499,019)	(109,310,367)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	327,876	(2,465)	330,341
22115000 Bonds - Interco	(102,280,321)	(5,000,000)	(97,280,321)
Total: Long-term debt	(107,652,445)	(5,002,465)	(102,649,980)
Total: Total Long-term debt	(107,652,445)	(5,002,465)	(102,649,980)
Total: Total Capitalization	(240,461,832)	(28,501,485)	(211,960,347)
23121000 In-House Cash Center Bank	(6,534,255)	5,869,360	(12,403,615)
23121001 IHC Clearing - Outgoing Payment	(148,123)	(224,750)	76,627
Total: In-House Cash Center	(6,682,378)	5,644,609	(12,326,987)
Total: Short-term debt	(6,682,378)	5,644,609	(12,326,987)
23410000 A/P - Reconciliation Account	(2,280,138)	200,114	(2,480,251)
23410100 A/P Intercompany - Reconciliation Account	(264,641)	23,796	(288,437)
23411001 PCard Distributed-Clearing for Mapped Transactions	(7,455)	29,151	(36,606)
23430000 A/P - Miscellaneous	0	41,021	(41,021)
23430600 A/P - Workbasket Accrual	(44,977)	47,100	(92,078)
23430700 A/P - Pcard Accrual	(24,084)	(8,050)	(16,034)

Tennessee American Water Company
Trial Balance as of October 31, 2022

Description	October 2022 Balance	Activity	Prior Year Balance
23431000 A/P - Misc Global	(141,103)	(39,992)	(101,111)
23435000 A/P - Project Cost Accrual	(1,646,480)	1,022,542	(2,669,021)
23436000 A/P-GRIR Capital Services	(55,661)	2,061	(57,722)
Total: Accounts payable external	(4,464,540)	1,317,743	(5,782,282)
23510000 A/P Associated Companies	0	4,413	(4,413)
23520000 A/P Associated Companies - Service Co Bill	886,316	(183,008)	1,069,324
23520001 A/P Associated Companies - Service Co Bill	(946,886)	(111,197)	(835,689)
23530000 CFO - WLPP Interco	0	90	(90)
23530100 CFO - SLPP Interco	0	36	(36)
23530200 CFO - InHome Interco	0	27	(27)
23530300 CFO - WLPP/SLPP Interco	0	136	(136)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	36	(45)
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	(36)	74
23540100 CFO - SLPP Receivable Interco	(65)	(65)	0
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	(38)	64
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	0	(23)	23
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	0	(126)	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	(259)	0
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	0	(45)	45
Total: Accounts payable associated companies	(60,839)	(290,061)	229,222
Total: Accounts payable	(4,525,379)	1,027,682	(5,553,060)
23621000 Accrued FIT - Current Year	(954,820)	(212,978)	(741,842)
23622000 Accrued FIT - Prior Years	59,632	59,724	(92)
Total: Accrued federal income tax	(895,188)	(153,254)	(741,934)
23631000 Accrued SIT - Current Year	207,199	518,218	(311,019)
23632000 Accrued SIT - Prior Years	157,813	(1,165,681)	1,323,494
Total: Accrued state income tax	365,011	(647,463)	1,012,475
23652000 Accrued Tax - FUTA	(21)	(21)	0
23652100 Accrued Tax - FICA	(55,243)	421	(55,664)
23653000 Accrued Tax - Property Tax	(3,049,462)	(96,143)	(2,953,319)
23654000 Accrued Tax - Use Tax	(6,294)	(3,366)	(2,928)
23654110 Accrued Tax - Franchise Tax - Income Tax	(646,022)	628,911	(1,274,933)
Total: Other accrued taxes	(3,757,043)	529,801	(4,286,844)
Total: Taxes accrued, including income taxes	(4,287,219)	(270,916)	(4,016,303)
23720000 Interest Accrued - LTD	(74,480)	0	(74,480)
23730000 Interest Accrued - LTD Interco	(1,174,919)	(85,757)	(1,089,162)
Total: Interest accrued	(1,249,399)	(85,757)	(1,163,642)
24120000 Accrued Vacation Pay	(289,441)	18,839	(308,280)
24120200 Accrued Power	(206,152)	(36,625)	(169,527)
24120300 Accrued Legal	(54,524)	(21,148)	(33,376)
24120600 Accrued Wages	(320,539)	(14,773)	(305,766)
24120699 Accrued Wages - Net Adjustments Clearing	(1,032)	4,118	(5,150)
24120700 Accrued Insurance	(16,216)	71,677	(87,893)
24121000 Accrued Waste Disposal	(27,350)	(962)	(26,388)
24121100 Accrued Retiree Medical	(24,504)	1,427	(25,931)

Tennessee American Water Company
Trial Balance as of October 31, 2022

Description	October 2022 Balance	Activity	Prior Year Balance
24121200 Accrued DCP - Contribution	(13,722)	(1,072)	(12,650)
24121400 Accrued Bank Fees	(19,486)	(5,042)	(14,444)
24122500 Refund Rates Under Bond	(86,040)	(23,931)	(62,109)
24122700 Accrued Employer 401k Match	(9,241)	(30)	(9,211)
24123000 Accrued Incentive Plan Cash	(428,936)	6,606	(435,542)
24126200 Accrued Paving	0	14,790	(14,790)
24133000 Unclaimed Customer Credits	(114,608)	(92,716)	(21,893)
24133200 Unclaimed A/P Checks	(18,997)	(6,406)	(12,590)
24142014 WH PR - ESPP	(9,596)	(10)	(9,586)
24150000 Operating Lease Current Liability	(932)	(21)	(911)
24161000 GRIR - Stock E (Materials)	(109,490)	(5,666)	(103,824)
24163000 GRIR - Stock C (Chemicals)	(109,839)	(37,919)	(71,920)
24164000 GRIR - Non-inventory	(329,439)	(88,390)	(241,050)
24171000 CFO Miscellaneous	(17)	(17)	0
24171006 CFO Customer Assistance Pledged	(96)	14	(110)
24172000 CFO Sales Tax	33,473,688	4,094,488	29,379,200
24172100 CFO Sales Tax - from CIS	(33,888,838)	(4,121,477)	(29,767,362)
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	908,508	(908,508)
24199700 Deferred Revenue - Current Portion	(591,035)	(53,598)	(537,437)
24199900 Other Current Liabilities - Non-Tax Sensitive	0	0	0
25299900 Advances for Construction - Current	(641,898)	(108,280)	(533,618)
Total: Other current liabilities	(3,838,281)	502,386	(4,340,667)
Total: Total Current Liabilities	(20,582,656)	6,818,003	(27,400,659)
25211000 Advances for Construction - NT Mains	(875,990)	(850,142)	(25,849)
25212000 Advances for Construction - NT Extension Deposits	(1,050,545)	435,393	(1,485,938)
25215000 Advances for Construction - NT Hydrants	(20,761)	(6,507)	(14,254)
25217000 Advances for Construction - NT WIP	(3,553,810)	(3,553,810)	0
25221000 Advances for Construction - Tax Mains	(1,637,801)	107,452	(1,745,254)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	31,428	(92,716)
25223000 Advances for Construction - Tax Services	(7,969)	346,152	(354,121)
25225000 Advances for Construction - Tax Hydrants	(42,488)	(21,581)	(20,908)
25227000 Advances for Construction - Tax WIP	(103,115)	2,790,239	(2,893,354)
25241000 Advances for Construction - Tax Mains - FIT	(1,183,667)	460,535	(1,644,202)
25245000 Advances for Construction - Tax Hydrants - FIT	(42,468)	(16,835)	(25,634)
25280000 Advances for Construction - Reclassed to Current	641,898	108,280	533,618
25243000 Advances for Construction - Tax Services - FIT	0	540	(540)
Total: Customer Advances for construction	(7,938,006)	(168,855)	(7,769,151)
25310000 Deferred FIT Liability – Property	1,897,078	1,914,746	(17,668)
25310100 Deferred FIT Liability - FAS109 Increment	(1,922,925)	(1,922,925)	0
25311000 Deferred FIT Liability – Non Property	(29,368,440)	(1,782,501)	(27,585,939)
25311100 Deferred FIT Liability - FAS109 Gross Up	(684,221)	(684,221)	0
Total: Federal Deferred income taxes long-term	(30,078,507)	(2,474,900)	(27,603,607)
25320000 Deferred SIT Liability - Property	(124)	(124)	0
25320100 Deferred SIT Liability - FAS109 Increment	(1,837)	(1,837)	0
25321000 Deferred SIT Liability – Non Property	(8,651,771)	(647,575)	(8,004,196)

Tennessee American Water Company
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Description	October 2022 Balance	Activity	Prior Year Balance
Total: State Deferred income taxes long-term	(8,653,732)	(649,536)	(8,004,196)
Total: Deferred income taxes	(38,732,239)	(3,124,436)	(35,607,803)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(16,634)	5,844	(22,478)
25510300 Unamortized ITC - 10%	1,864	44,319	(42,455)
Total: Deferred investment tax credits	(14,770)	50,163	(64,933)
25700000 Reg Liab - Cost of Removal	17,611,300	3,521,058	14,090,241
25710000 Reg Liab - Cost of Removal RWIP	1,347,815	(2,058,730)	3,406,545
Total: Reg liability - cost of removal	18,959,115	1,462,328	17,496,786
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(14,625,321)	2,801,341	(17,426,662)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	(219,473)	2,032	(221,505)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	257,877	(2,390)	260,267
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	171,677	171,677	0
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	119,619	(1,142)	120,761
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	13,323	13,323	(0)
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	(7,673)	280	(7,953)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	(10,982)	4,040	(15,022)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	0	0	0
25633000 Reg Liab - Pension Tracker	(2,127,269)	(694,846)	(1,432,423)
25636000 Reg Liab - Pandemic Costs	0	373,397	(373,397)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(815,400)	50,400	(865,800)
25689900 Reg Liab - Other	871,549	603,001	268,548
Total: Other regulatory liabilities	(16,372,071)	3,321,113	(19,693,184)
Total: Regulatory liabilities	2,587,043	4,783,441	(2,196,398)
26212000 Accrued Pension Expense	2,464,424	990,164	1,474,260
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,464,424	990,164	1,474,260
26221000 Accrued OPEB	4,130,148	1,555,965	2,574,183
26221500 Accrued OPEB Medicare Subsidy	(145,238)	(9,614)	(135,624)
Total: Accrued postretirement benefit expense	3,984,910	1,546,350	2,438,559
26300000 Operating Lease Long-Term Liability	(1,223)	932	(2,155)
Total: Operating lease long-term liabilities	(1,223)	932	(2,155)
26580000 FIN 48 Reserve - Federal	(577,436)	(146,202)	(431,235)
26581000 FIN 48 Reserve - State	(214,648)	37,287	(251,935)
Total: Other tax liabilities	(792,084)	(108,914)	(683,170)
Total: Other Deferred Credits	(792,084)	(108,914)	(683,170)
Total: Regulatory and other long-term liabilities	(38,441,946)	3,968,845	(42,410,791)
27111000 CIAC-Non Taxable - Mains	(6,174,295)	(248,059)	(5,926,236)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	(168,298)	(8,260,098)
27113000 CIAC-Non Taxable - Services	(496,083)	(3,445)	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,361,032)	(62,887)	(1,298,145)
27116000 CIAC-Non Taxable - Other	(3,083,061)	(104,000)	(2,979,061)
27117000 CIAC-Non Taxable - WIP	(264,210)	(264,210)	0
27121000 CIAC-Taxable - Mains	(2,375,613)	(62,076)	(2,313,537)

Tennessee American Water Company
Trial Balance as of October 31, 2022

Description	October 2022 Balance	Activity	Prior Year Balance
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,829,170)	(523,654)	(2,305,516)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(314,414)	(9,173)	(305,241)
27127000 CIAC-Taxable - WIP	(111,407)	278,002	(389,409)
27141000 CIAC-Taxable - Mains FIT	(441,818)	(30,478)	(411,340)
27143000 CIAC-Taxable - Services FIT	(42,067)	(40,670)	(1,397)
27145000 CIAC-Taxable - Hydrants FIT	(39,594)	12,212	(51,806)
27206000 Accum Amort CIAC - Other	5,715,305	254,534	5,460,771
27210000 Accum Amort CIAC - Tax	1,164,788	77,059	1,087,729
Total: Contributions in aid of construction	(19,306,281)	(895,142)	(18,411,139)
Total: CAPITAL AND LIABILITIES	(318,792,715)	(18,609,779)	(300,182,937)
Total: BALANCE SHEET (Net Profit)	5,957,052	226,469	5,730,583

Tennessee American Water Company
Trial Balance as of November 30, 2022

Description	November 2022 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	896,090	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	715,780	23,981	691,799
10130420 UPIS - Struct & Imp - Pumping	7,805,516	651,451	7,154,065
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	(69)	18,584,075
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,404,475	364,510	4,039,965
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	88,376	767,741
10131120 UPIS - Pumping Equipment - Electric	5,235,903	57,450	5,178,452
10131130 UPIS - Pumping Equipment - Diesel	92,937	(26,359)	119,296
10131150 UPIS - Pumping Equipment - Other	1,556,701	891,561	665,140
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	(2,714)	2,622,912
10132010 UPIS - Water Treatment Equipment	28,161,386	652,801	27,508,584
10133000 UPIS - Distribution Reservoirs & Standpipes	14,760,392	(39,685)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	158,177,091	5,693,061	152,484,030
10133300 UPIS - Services	32,683,433	372,246	32,311,186
10133410 UPIS - Meters	19,198,260	2,109,527	17,088,733
10133420 UPIS - Meter Installations	22,502,662	1,464,704	21,037,959
10133500 UPIS - Hydrants	12,451,079	782,594	11,668,485
10133910 UPIS - Other P/E - Intangible	1,450,178	1,049,122	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	14,967,373	2,129,352	12,838,021
10134100 UPIS - Transportation Equipment	7,114,510	1,020,041	6,094,469
10134200 UPIS - Stores Equipment	0	(24,072)	24,072
10134300 UPIS - Tools-Shop-Garage Equipment	872,000	225,571	646,429
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,296,703	243,520	2,053,183
10134700 UPIS - Misc Equipment	477,331	14,549	462,783
10134800 UPIS - Other Tangible Property	17,776	12,858	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10630360 CCNC Land & Land Rights - Adm & Gen	0	(896,090)	896,090
10630410 CCNC Struct & Imp - Source of Supply	41,258	36,710	4,548
10630420 CCNC Struct & Imp - Pumping	487,118	(668,944)	1,156,062
10630430 CCNC Struct & Imp - Water Treatment	14,261,890	352,961	13,908,929
10630440 CCNC Struct & Imp - Transmission & Distribution	0	(106,686)	106,686
10630450 CCNC Struct & Imp - Admin & General	721,829	(305,158)	1,026,987
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	2,365	1,346,680
10631120 CCNC Pumping Equipment - Electric	9,316	(51,606)	60,921
10631150 CCNC Pumping Equipment - Other	5,172,535	520,539	4,651,996

Tennessee American Water Company
Trial Balance as of November 30, 2022

Description	November 2022 Balance	Activity	Prior Year Balance
10631152 CCNC Pumping Equipment - Source of Supply	48,835	48,835	0
10632010 CCNC - Water Treatment Equipment - Non-Media	2,660,613	553,612	2,107,001
10633000 CCNC - Distribution Reservoirs & Standpipes	4,297,079	1,247,678	3,049,402
10633100 CCNC - Transmssn & Distr Mains Not Classified	21,134,697	2,065,403	19,069,294
10633300 CCNC Services	472,775	107,135	365,641
10633410 CCNC Meters	4,385,445	841,117	3,544,329
10633420 CCNC Meter Installations	1,698,452	134,339	1,564,113
10633500 CCNC Hydrants	807,424	(30,658)	838,082
10633910 CCNC Other P/E Intangible	130,284	(1,135,222)	1,265,506
10634010 CCNC Office Furniture & Equipment	4,245,428	(2,839,614)	7,085,041
10634100 CCNC Transportation Equipment Not Classified	2,491,286	610,567	1,880,719
10634300 CCNC Tools-Shop-Garage Equipment	195,136	(25,322)	220,458
10634600 CCNC Communication Equipment	3,743	(153,806)	157,548
10634700 CCNC Misc Equipment	460,921	406,385	54,535
10634800 CCNC Other Tangible Property	2,963	(12,858)	15,821
Total: Utility plant in service	429,153,088	19,352,150	409,800,938
10700000 CWIP	11,610,708	5,515,656	6,095,052
10780110 CWIP - Eng Clearing Dist Overhead	404,361	305,579	98,781
10780120 CWIP - Eng Clearing Eng Overhead	8,012	5,458	2,554
10780160 CWIP - Suspended CWIP Reserve	(22,825)	(261)	(22,564)
Total: Construction work in progress	12,000,256	5,826,432	6,173,823
10801000 Accum Depreciation - Utility Plant in Service	(173,059,049)	(11,065,850)	(161,993,199)
10802000 Accum Depreciation - Salvage/Scrap	(4,788,920)	(207,357)	(4,581,563)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	50,468,323	3,235,399	47,232,924
10810000 Accum Depreciation - Reg Asset	(34,961)	(1,116)	(33,845)
Total: Accumulated depreciation/amortization	(127,424,467)	(8,038,924)	(119,385,543)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	309,979,298	17,139,658	292,839,640
Total: Total Property Plant & Equipment	309,979,298	17,139,658	292,839,640
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	55	55	0
13140103 PNC AWCC-Accounts Payable - Outbound Check	(228,403)	191,250	(419,653)
13140303 PNC AWCC-Customer Refund - Outbound Check	(82,126)	132,673	(214,799)
13162600 US Bank TN - Main	201,678	(163,768)	365,447
13162608 US Bank TN - Customer Lockbox		0	
13162609 US Bank TN - Credit Card and E-Checks	104,691	12,039	92,652
13162610 US Bank TN - Firstech Collections	462	47	415
13162611 US Bank TN - FiServ (aka CheckFree)	8,266	6,651	1,615
13162612 US Bank TN - Penn Credit		0	
13162614 US Bank TN -Credit Card & Echeck E-Returns	(278)	792	(1,069)
13162616 US Bank TN - NSF Return Payments	171	34	137
13199004 Cash Clearing - MI's	(2,353)	(2,353)	0
Total: Cash and cash equivalents	4,214	177,469	(173,255)

Tennessee American Water Company
Trial Balance as of November 30, 2022

Description	November 2022 Balance	Activity	Prior Year Balance
14100000 A/R - Customer - CIS Reconciliation	4,451,717	488,216	3,963,501
14100099 A/R - Customer - Clearing - Credit Rfnd Processing		0	
14100998 A/R - Customer - Payment Clarification	(720)	5,616	(6,336)
14100999 A/R - Customer - Returns Clarification		0	
Total: Utility customer accounts receivable	4,450,997	493,832	3,957,165
14510000 A/R Assoc Cos - Miscellaneous		0	
14510041 AR Associated Cos - AWI IOTG	160,307	160,307	0
14510100 A/R Assoc Cos - Reconciliation Account	85,645	(106,254)	191,899
14511001 A/R Assoc Cos - Service Company Bill	134,150	108,732	25,418
Total: Receivable from affiliated companies	380,102	162,785	217,317
14610000 Misc A/R - Reconciliation Account	727,734	197,929	529,804
14611000 Misc A/R - Manual	1,455	33	1,422
14611200 Misc A/R - Retro Insurance	0	(69,166)	69,166
14611500 Misc A/R - Medicare Subsidy	55,370	(16,320)	71,690
14613000 Misc A/R - Employees	0	(38)	38
Total: Other receivables, net	784,559	112,439	672,121
14300000 Allowance for Uncollectible Accounts	(434,737)	125,091	(559,828)
14620000 Misc Rec - Allow for Uncollectible Accts	(29,033)	5,077	(34,111)
Total: Allowance for uncollectible accounts	(463,770)	130,169	(593,939)
Total: Accounts receivable, net	5,151,888	899,225	4,252,664
14400000 Unbilled Utility Revenue	2,293,410	(48,381)	2,341,791
Total: Unbilled revenues	2,293,410	(48,381)	2,341,791
15110000 Inventory - Plant Material	1,343,779	397,975	945,804
15130000 Inventory - Chemicals	335,923	175,517	160,406
15140000 Inventory - Other Materials & Supplies	39,870	21,155	18,715
Total: Materials and supplies	1,719,572	594,647	1,124,925
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	553,170	128,097	425,073
16520000 Prepaid Insurance	83,466	8,311	75,155
16530000 Prepaid PUC/PSC Assessment	19,509	2,424	17,085
16550000 Prepaid Other	21,612	1,561	20,051
16550010 Prepaid Other - Global	37,599	27,414	10,185
16611000 Reg Asset-OCA tax		0	
16612000 Reg Asset-OCA non tax		0	
Total: Other current assets	730,355	167,807	562,549
Total: Total Current Assets	9,899,440	1,790,767	8,108,672
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	83,985	16,605	67,380
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	1,791,386	0	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	260	259	0
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	145,733	(6,292)	152,025
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	(5)	(5)	0
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	2,622,468	0	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	(703,889)	(4,218)	(699,671)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass		0	
Total: Reg asset - income tax recovery	3,939,937	6,350	3,933,588

Tennessee American Water Company
Trial Balance as of November 30, 2022

Description	November 2022 Balance	Activity	Prior Year Balance
18661000 Reg Asset - Unamortized Debt Exp	8,490	(2,256)	10,746
18661500 Reg Asset - Unamortized Debt Exp Interco	1,245,755	(33,424)	1,279,178
Total: Debt and preferred stock expense	1,254,245	(35,680)	1,289,924
18680000 Reg Asset - Cost of Removal		0	
18680100 Reg Asset - Cost of Removal - RWIP		0	
18680101 Reg Asset - Deferred Vacation Pay	289,441	(18,839)	308,280
18680162 Reg Asset- Closing Costs	8,083	(1,000)	9,083
18680218 Regulatory Asset - "Make-Whole Premium"	161,185	(28,032)	189,217
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18680228 Reg Asset - Pandemic Costs	0	(558,682)	558,682
18689900 Reg Asset - Other		0	
Total: Other regulatory assets	491,587	(606,553)	1,098,140
Total: Regulatory assets	5,685,769	(635,883)	6,321,652
18750000 LT Asset - Operating Lease Right-Of-Use Assets	2,078	(913)	2,990
Total: Operating lease right-of-use assets	2,078	(913)	2,990
18715700 LT Asset - Unamort Debt In - Revolver	91,619	39,273	52,346
Total: Other long-term assets	91,619	39,273	52,346
Total: Total Regulatory and other long-term assets	5,779,465	(597,523)	6,376,988
Total: ASSETS	325,658,203	18,332,902	307,325,300
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(75,717,296)	(20,079,434)	(55,637,861)
Total: Paid-in capital	(75,717,296)	(20,079,434)	(55,637,861)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(43,831,434)	(3,419,573)	(40,411,861)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(43,340,466)	(3,419,573)	(39,920,894)
Total: Total Stockholders' equity	(132,811,997)	(23,499,007)	(109,312,990)
Total: Total Equity	(132,811,997)	(23,499,007)	(109,312,990)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	326,283	(2,596)	328,879
22115000 Bonds - Interco	(102,280,321)	(5,000,000)	(97,280,321)
Total: Long-term debt	(107,654,038)	(5,002,596)	(102,651,442)
Total: Total Long-term debt	(107,654,038)	(5,002,596)	(102,651,442)
Total: Total Capitalization	(240,466,035)	(28,501,604)	(211,964,432)
23121000 In-House Cash Center Bank	(5,822,000)	7,334,328	(13,156,328)
23121001 IHC Clearing - Outgoing Payment	(61,209)	(141,646)	80,436
Total: In-House Cash Center	(5,883,210)	7,192,682	(13,075,892)
Total: Short-term debt	(5,883,210)	7,192,682	(13,075,892)
23410000 A/P - Reconciliation Account	(1,880,699)	(363,602)	(1,517,097)
23410100 A/P Intercompany - Reconciliation Account	(169,074)	173,908	(342,982)
23411001 PCard Distributed-Clearing for Mapped Transactions	(17,362)	(4,975)	(12,387)
23430000 A/P - Miscellaneous	(51,761)	83,655	(135,416)
23430600 A/P - Workbasket Accrual	(68,852)	342	(69,193)
23430700 A/P - Pcard Accrual	(28,093)	8,862	(36,955)

Tennessee American Water Company
Trial Balance as of November 30, 2022

Description	November 2022 Balance	Activity	Prior Year Balance
23431000 A/P - Misc Global	(122,957)	(102,600)	(20,357)
23435000 A/P - Project Cost Accrual	(1,799,272)	1,409,157	(3,208,429)
23436000 A/P-GRIR Capital Services	(22,781)	34,542	(57,323)
Total: Accounts payable external	(4,160,850)	1,239,289	(5,400,139)
23510000 A/P Associated Companies	(1,072)	1,413	(2,484)
23520000 A/P Associated Companies - Service Co Bill	885,323	67,305	818,018
23520001 A/P Associated Companies - Service Co Bill	(1,943,863)	(1,106,988)	(836,875)
23530000 CFO - WLPP Interco	0	90	(90)
23530100 CFO - SLPP Interco	0	36	(36)
23530200 CFO - InHome Interco	0	27	(27)
23530300 CFO - WLPP/SLPP Interco	0	136	(136)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	36	(45)
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	(36)	74
23540100 CFO - SLPP Receivable Interco	(65)	(65)	0
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	(38)	64
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	0	(23)	23
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	0	(126)	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	(259)	0
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	0	(45)	45
Total: Accounts payable associated companies	(1,059,881)	(1,038,539)	(21,341)
Total: Accounts payable	(5,220,731)	200,750	(5,421,481)
23621000 Accrued FIT - Current Year	(1,140,650)	(352,384)	(788,266)
23622000 Accrued FIT - Prior Years	59,632	59,724	(92)
Total: Accrued federal income tax	(1,081,018)	(292,660)	(788,358)
23631000 Accrued SIT - Current Year	145,010	466,403	(321,393)
23632000 Accrued SIT - Prior Years	157,813	(1,165,681)	1,323,494
Total: Accrued state income tax	302,822	(699,278)	1,002,101
23652000 Accrued Tax - FUTA	(21)	(21)	0
23652100 Accrued Tax - FICA	(62,745)	1,028	(63,773)
23653000 Accrued Tax - Property Tax	(3,327,247)	(84,018)	(3,243,230)
23654000 Accrued Tax - Use Tax	(7,166)	(3,860)	(3,306)
23654110 Accrued Tax - Franchise Tax - Income Tax	(707,022)	625,911	(1,332,933)
Total: Other accrued taxes	(4,104,201)	539,040	(4,643,241)
Total: Taxes accrued, including income taxes	(4,882,397)	(452,898)	(4,429,498)
23720000 Interest Accrued - LTD	(111,720)	0	(111,720)
23730000 Interest Accrued - LTD Interco	(1,444,295)	(104,299)	(1,339,996)
Total: Interest accrued	(1,556,015)	(104,299)	(1,451,716)
24120000 Accrued Vacation Pay	(289,441)	18,839	(308,280)
24120200 Accrued Power	(188,932)	(31,197)	(157,736)
24120300 Accrued Legal	(19,268)	12,223	(31,492)
24120600 Accrued Wages	(376,679)	(14,447)	(362,232)
24120699 Accrued Wages - Net Adjustments Clearing	(201)	4,199	(4,400)
24120700 Accrued Insurance	(31,400)	70,894	(102,294)
24121000 Accrued Waste Disposal	(33,400)	13,406	(46,806)
24121100 Accrued Retiree Medical	(27,038)	1,528	(28,566)

Tennessee American Water Company
Trial Balance as of November 30, 2022

Description	November 2022 Balance	Activity	Prior Year Balance
24121200 Accrued DCP - Contribution	(16,281)	(1,267)	(15,014)
24121400 Accrued Bank Fees	(13,737)	3,737	(17,474)
24122500 Refund Rates Under Bond	(56,910)	11,132	(68,041)
24122700 Accrued Employer 401k Match	(11,102)	87	(11,188)
24123000 Accrued Incentive Plan Cash	(471,830)	7,117	(478,946)
24126200 Accrued Paving	(1,019)	31,136	(32,155)
24133000 Unclaimed Customer Credits	(89,253)	(67,348)	(21,905)
24133200 Unclaimed A/P Checks	(18,997)	(6,406)	(12,590)
24142014 WH PR - ESPP	(14,394)	(30)	(14,364)
24150000 Operating Lease Current Liability	(933)	(21)	(913)
24161000 GRIR - Stock E (Materials)	(104,966)	(14,677)	(90,289)
24163000 GRIR - Stock C (Chemicals)	(101,440)	(11,982)	(89,458)
24164000 GRIR - Non-inventory	(216,032)	96,900	(312,932)
24171000 CFO Miscellaneous	(17)	(17)	0
24171006 CFO Customer Assistance Pledged	(144)	21	(165)
24172000 CFO Sales Tax	33,888,154	4,121,070	29,767,084
24172100 CFO Sales Tax - from CIS	(34,208,667)	(4,139,484)	(30,069,183)
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	817,657	(817,657)
24199700 Deferred Revenue - Current Portion	(276,441)	(12,274)	(264,167)
24199900 Other Current Liabilities - Non-Tax Sensitive		0	
25299900 Advances for Construction - Current	(641,898)	(108,280)	(533,618)
Total: Other current liabilities	(3,322,265)	802,517	(4,124,782)
Total: Total Current Liabilities	(20,864,617)	7,638,752	(28,503,369)
25211000 Advances for Construction - NT Mains	(875,990)	(850,142)	(25,849)
25212000 Advances for Construction - NT Extension Deposits	(1,050,545)	283,197	(1,333,743)
25215000 Advances for Construction - NT Hydrants	(20,761)	(6,507)	(14,254)
25217000 Advances for Construction - NT WIP	(3,711,724)	(3,711,724)	0
25221000 Advances for Construction - Tax Mains	(1,637,801)	102,180	(1,739,981)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	31,428	(92,716)
25223000 Advances for Construction - Tax Services	(7,969)	345,410	(353,379)
25225000 Advances for Construction - Tax Hydrants	(42,488)	(21,841)	(20,647)
25227000 Advances for Construction - Tax WIP	(103,115)	2,793,239	(2,896,354)
25241000 Advances for Construction - Tax Mains - FIT	(1,183,667)	455,262	(1,638,929)
25245000 Advances for Construction - Tax Hydrants - FIT	(42,468)	(17,095)	(25,373)
25280000 Advances for Construction - Reclassed to Current	641,898	108,280	533,618
25243000 Advances for Construction - Tax Services - FIT	0	540	(540)
Total: Customer Advances for construction	(8,095,920)	(487,773)	(7,608,148)
25310000 Deferred FIT Liability – Property	1,903,662	1,921,330	(17,668)
25310100 Deferred FIT Liability - FAS109 Increment	(1,929,537)	(1,929,537)	0
25311000 Deferred FIT Liability – Non Property	(29,374,990)	(1,625,531)	(27,749,458)
25311100 Deferred FIT Liability - FAS109 Gross Up	(686,574)	(686,574)	0
Total: Federal Deferred income taxes long-term	(30,087,438)	(2,320,312)	(27,767,126)
25320000 Deferred SIT Liability - Property	(124)	(124)	0
25320100 Deferred SIT Liability - FAS109 Increment	(1,844)	(1,844)	0
25321000 Deferred SIT Liability – Non Property	(8,654,333)	(589,687)	(8,064,646)

Tennessee American Water Company
Trial Balance as of November 30, 2022

Description	November 2022 Balance	Activity	Prior Year Balance
Total: State Deferred income taxes long-term	(8,656,301)	(591,655)	(8,064,646)
Total: Deferred income taxes	(38,743,739)	(2,911,967)	(35,831,772)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(16,617)	5,464	(22,081)
25510300 Unamortized ITC - 10%	1,977	38,723	(36,746)
Total: Deferred investment tax credits	(14,639)	44,188	(58,827)
25700000 Reg Liab - Cost of Removal	17,886,446	1,929,954	15,956,492
25710000 Reg Liab - Cost of Removal RWIP	1,114,138	(620,749)	1,734,887
Total: Reg liability - cost of removal	19,000,584	1,309,205	17,691,379
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(14,616,986)	2,602,321	(17,219,307)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	(219,473)	1,016	(220,489)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	257,877	(1,195)	259,072
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	172,268	172,268	0
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	119,619	(571)	120,190
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	13,369	13,369	(0)
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	(7,673)	140	(7,813)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	(10,982)	2,020	(13,002)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass		0	
25633000 Reg Liab - Pension Tracker	(2,188,930)	(717,389)	(1,471,541)
25636000 Reg Liab - Pandemic Costs	0	403,642	(403,642)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(815,400)	50,400	(865,800)
25689900 Reg Liab - Other	875,469	642,375	233,094
Total: Other regulatory liabilities	(16,420,842)	3,168,395	(19,589,237)
Total: Regulatory liabilities	2,579,742	4,477,600	(1,897,858)
26212000 Accrued Pension Expense	2,643,714	1,035,337	1,608,377
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,643,714	1,035,337	1,608,377
26221000 Accrued OPEB	4,231,802	1,561,907	2,669,895
26221500 Accrued OPEB Medicare Subsidy	(147,381)	(9,107)	(138,274)
Total: Accrued postretirement benefit expense	4,084,421	1,552,799	2,531,621
26300000 Operating Lease Long-Term Liability	(1,145)	933	(2,078)
Total: Operating lease long-term liabilities	(1,145)	933	(2,078)
26580000 FIN 48 Reserve - Federal	(577,436)	(146,202)	(431,235)
26581000 FIN 48 Reserve - State	(214,648)	37,287	(251,935)
Total: Other tax liabilities	(792,084)	(108,914)	(683,170)
Total: Other Deferred Credits	(792,084)	(108,914)	(683,170)
Total: Regulatory and other long-term liabilities	(38,339,651)	3,602,203	(41,941,855)
27111000 CIAC-Non Taxable - Mains	(6,174,295)	(248,059)	(5,926,236)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	(127,951)	(8,300,445)
27113000 CIAC-Non Taxable - Services	(496,083)	(3,445)	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,361,032)	(59,033)	(1,301,998)
27116000 CIAC-Non Taxable - Other	(3,083,061)	(104,000)	(2,979,061)
27117000 CIAC-Non Taxable - WIP	(277,782)	(277,782)	0
27121000 CIAC-Taxable - Mains	(2,375,613)	(63,721)	(2,311,892)

Tennessee American Water Company
Trial Balance as of November 30, 2022

Description	November 2022 Balance	Activity	Prior Year Balance
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,835,163)	(528,906)	(2,306,258)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(314,414)	(9,278)	(305,136)
27127000 CIAC-Taxable - WIP	(111,407)	274,148	(385,555)
27141000 CIAC-Taxable - Mains FIT	(441,818)	(32,123)	(409,695)
27143000 CIAC-Taxable - Services FIT	(45,064)	(43,667)	(1,397)
27145000 CIAC-Taxable - Hydrants FIT	(39,594)	12,107	(51,701)
27206000 Accum Amort CIAC - Other	5,736,811	255,200	5,481,612
27210000 Accum Amort CIAC - Tax	1,171,093	77,031	1,094,063
Total: Contributions in aid of construction	(19,301,032)	(879,479)	(18,421,553)
Total: CAPITAL AND LIABILITIES	(318,971,335)	(18,140,127)	(300,831,208)
Total: BALANCE SHEET (Net Profit)	6,686,867	192,775	6,494,092

Tennessee American Water Company
Trial Balance as of December 31, 2022

Description	December 2022 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	896,090	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	756,575	64,776	691,799
10130420 UPIS - Struct & Imp - Pumping	7,805,516	651,451	7,154,065
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	(69)	18,584,075
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,410,248	260,789	4,149,459
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	88,376	767,741
10131120 UPIS - Pumping Equipment - Electric	5,233,010	54,557	5,178,452
10131130 UPIS - Pumping Equipment - Diesel	92,937	(26,359)	119,296
10131150 UPIS - Pumping Equipment - Other	1,915,793	1,255,305	660,488
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	(2,714)	2,622,912
10132010 UPIS - Water Treatment Equipment	28,245,615	666,961	27,578,654
10133000 UPIS - Distribution Reservoirs & Standpipes	14,778,830	(21,247)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	158,287,308	5,749,261	152,538,046
10133300 UPIS - Services	32,688,374	372,514	32,315,860
10133410 UPIS - Meters	19,046,979	1,957,183	17,089,795
10133420 UPIS - Meter Installations	22,505,952	1,467,096	21,038,856
10133500 UPIS - Hydrants	12,453,328	755,501	11,697,827
10133910 UPIS - Other P/E - Intangible	1,450,178	1,049,122	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	14,967,462	2,086,861	12,880,602
10134100 UPIS - Transportation Equipment	7,114,510	950,504	6,164,006
10134200 UPIS - Stores Equipment	0	(24,072)	24,072
10134300 UPIS - Tools-Shop-Garage Equipment	864,977	222,976	642,001
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,295,945	206,683	2,089,262
10134700 UPIS - Misc Equipment	516,242	49,565	466,677
10134800 UPIS - Other Tangible Property	17,776	12,858	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10630360 CCNC Land & Land Rights - Adm & Gen	0	(896,090)	896,090
10630410 CCNC Struct & Imp - Source of Supply	1,710,248	1,705,700	4,548
10630420 CCNC Struct & Imp - Pumping	487,118	(664,513)	1,151,632
10630430 CCNC Struct & Imp - Water Treatment	14,262,181	60,865	14,201,316
10630440 CCNC Struct & Imp - Transmission & Distribution	0	(106,686)	106,686
10630450 CCNC Struct & Imp - Admin & General	788,499	(183,807)	972,306
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	0	1,349,045
10631000 CCNC Power Generation Equipment	0	(81,100)	81,100
10631120 CCNC Pumping Equipment - Electric	86,366	7,686	78,680

Tennessee American Water Company
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Description	December 2022 Balance	Activity	Prior Year Balance
10631150 CCNC Pumping Equipment - Other	4,988,731	131,385	4,857,347
10631152 CCNC Pumping Equipment - Source of Supply	48,818	48,818	0
10632010 CCNC - Water Treatment Equipment - Non-Media	2,611,747	574,815	2,036,931
10633000 CCNC - Distribution Reservoirs & Standpipes	5,367,345	1,606,323	3,761,022
10633100 CCNC - Transmssn & Distr Mains Not Classified	26,086,464	5,448,428	20,638,035
10633300 CCNC Services	525,671	121,918	403,753
10633410 CCNC Meters	4,517,831	909,379	3,608,452
10633420 CCNC Meter Installations	1,886,542	389,426	1,497,117
10633500 CCNC Hydrants	985,692	(9,369)	995,060
10633910 CCNC Other P/E Intangible	130,284	(1,049,122)	1,179,406
10634010 CCNC Office Furniture & Equipment	5,196,618	(2,991,815)	8,188,433
10634100 CCNC Transportation Equipment Not Classified	2,599,458	188,268	2,411,190
10634300 CCNC Tools-Shop-Garage Equipment	195,594	(49,353)	244,947
10634400 CCNC Laboratory Equipment	7,645	7,645	0
10634600 CCNC Communication Equipment	239,592	83,405	156,187
10634700 CCNC Misc Equipment	420,828	370,186	50,641
10634800 CCNC Other Tangible Property	2,963	(12,858)	15,821
Total: Utility plant in service	439,076,362	24,353,502	414,722,861
10700000 CWIP	5,476,557	1,362,213	4,114,344
10780110 CWIP - Eng Clearing Dist Overhead	0	0	0
10780120 CWIP - Eng Clearing Eng Overhead	0	0	0
10780160 CWIP - Suspended CWIP Reserve	(58,939)	(36,114)	(22,825)
Total: Construction work in progress	5,417,618	1,326,099	4,091,519
10801000 Accum Depreciation - Utility Plant in Service	(174,011,070)	(11,118,649)	(162,892,421)
10802000 Accum Depreciation - Salvage/Scrap	(4,788,920)	(207,023)	(4,581,898)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	50,685,129	3,441,357	47,243,772
10810000 Accum Depreciation - Reg Asset	(35,054)	(1,116)	(33,938)
Total: Accumulated depreciation/amortization	(128,159,775)	(7,885,430)	(120,274,345)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	312,584,627	17,794,171	294,790,456
Total: Total Property Plant & Equipment	312,584,627	17,794,171	294,790,456
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	2,292	2,270	21
13140103 PNC AWCC-Accounts Payable - Outbound Check	(502,673)	36,408	(539,081)
13140303 PNC AWCC-Customer Refund - Outbound Check	(80,594)	148,558	(229,152)
13162600 US Bank TN - Main	243,081	114,767	128,314
13162608 US Bank TN - Customer Lockbox	38	38	0
13162609 US Bank TN - Credit Card and E-Checks	120,979	21,972	99,008
13162610 US Bank TN - Firstech Collections	459	60	399
13162611 US Bank TN - FiServ (aka CheckFree)	5,252	177	5,075
13162612 US Bank TN - Penn Credit	630	630	0
13162613 US Bank TN - E-Return - US Bank	544	(304)	849
13162614 US Bank TN -Credit Card & Echeck E-Returns	(926)	(306)	(620)

Tennessee American Water Company
Trial Balance as of December 31, 2022

Description	December 2022 Balance	Activity	Prior Year Balance
13162616 US Bank TN - NSF Return Payments	25	(166)	191
13199004 Cash Clearing - MI's	0	0	0
Total: Cash and cash equivalents	(208,894)	324,103	(532,996)
14100000 A/R - Customer - CIS Reconciliation	4,143,784	404,870	3,738,914
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	500,201	96,672	403,529
14100998 A/R - Customer - Payment Clarification	(13,118)	(3,189)	(9,929)
14100999 A/R - Customer - Returns Clarification	0	(25)	25
Total: Utility customer accounts receivable	4,630,868	498,328	4,132,539
14510000 A/R Assoc Cos - Miscellaneous	(45,816)	2,907,826	(2,953,642)
14510041 AR Associated Cos - AWI IOTG	160,307	160,307	0
14510100 A/R Assoc Cos - Reconciliation Account	341,804	(3,569,545)	3,911,349
14511001 A/R Assoc Cos - Service Company Bill	220,945	26,051	194,894
Total: Receivable from affiliated companies	677,240	(475,360)	1,152,600
14610000 Misc A/R - Reconciliation Account	643,786	101,067	542,719
14611000 Misc A/R - Manual	1,451	(0)	1,451
14611200 Misc A/R - Retro Insurance	0	(160,307)	160,307
14611500 Misc A/R - Medicare Subsidy	57,513	(16,827)	74,340
14613000 Misc A/R - Employees	50	12	38
Total: Other receivables, net	702,799	(76,056)	778,855
14300000 Allowance for Uncollectible Accounts	(437,062)	115,231	(552,293)
14620000 Misc Rec - Allow for Uncollectible Accts	(30,247)	(10,489)	(19,758)
Total: Allowance for uncollectible accounts	(467,310)	104,741	(572,051)
Total: Accounts receivable, net	5,543,597	51,653	5,491,944
14400000 Unbilled Utility Revenue	2,432,489	208,680	2,223,809
Total: Unbilled revenues	2,432,489	208,680	2,223,809
15110000 Inventory - Plant Material	1,615,526	703,778	911,749
15130000 Inventory - Chemicals	313,199	151,289	161,910
15140000 Inventory - Other Materials & Supplies	7,708	799	6,909
Total: Materials and supplies	1,936,433	855,865	1,080,568
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	474,146	101,608	372,538
16520000 Prepaid Insurance	9,104	730	8,374
16530000 Prepaid PUC/PSC Assessment	0	(0)	0
16550000 Prepaid Other	6,308	558	5,750
16550010 Prepaid Other - Global	94,997	80,409	14,588
16611000 Reg Asset-OCA tax	123,924	(10,152)	134,076
16612000 Reg Asset-OCA non tax	0	0	0
Total: Other current assets	723,479	173,153	550,326
Total: Total Current Assets	10,427,105	1,613,455	8,813,650
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	0	(83,985)	83,985
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	0	(1,791,386)	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	212,142	212,141	0
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	0	(145,733)	145,733
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	68,787	68,787	0
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	0	(2,622,468)	2,622,468

Tennessee American Water Company
Trial Balance as of December 31, 2022

Description	December 2022 Balance	Activity	Prior Year Balance
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	0	703,889	(703,889)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	(280,929)	3,658,754	(3,939,683)
Total: Reg asset - income tax recovery	0	0	0
18661000 Reg Asset - Unamortized Debt Exp	8,302	(2,256)	10,558
18661500 Reg Asset - Unamortized Debt Exp Interco	1,239,290	(33,772)	1,273,062
Total: Debt and preferred stock expense	1,247,592	(36,028)	1,283,620
18680000 Reg Asset - Cost of Removal	18,443,783	1,906,995	16,536,788
18680100 Reg Asset - Cost of Removal - RWIP	1,041,748	58,145	983,603
18680101 Reg Asset - Deferred Vacation Pay	0	0	0
18680162 Reg Asset- Closing Costs	8,000	(1,000)	9,000
18680218 Regulatory Asset - "Make-Whole Premium"	158,849	(28,032)	186,881
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18680228 Reg Asset - Pandemic Costs	0	0	0
18689900 Reg Asset - Other	906,030	662,696	243,335
Total: Other regulatory assets	20,591,287	2,598,804	17,992,484
Total: Regulatory assets	21,838,880	2,562,775	19,276,104
18750000 LT Asset - Operating Lease Right-Of-Use Assets	2,001	(914)	2,915
Total: Operating lease right-of-use assets	2,001	(914)	2,915
18715700 LT Asset - Unamort Debt In - Revolver	90,599	39,561	51,038
Total: Other long-term assets	90,599	39,561	51,038
Total: Total Regulatory and other long-term assets	21,931,479	2,601,422	19,330,057
Total: ASSETS	344,943,211	22,009,048	322,934,163
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(75,754,015)	(20,101,341)	(55,652,674)
Total: Paid-in capital	(75,754,015)	(20,101,341)	(55,652,674)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(43,831,434)	(3,419,573)	(40,411,861)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(43,340,466)	(3,419,573)	(39,920,894)
Total: Total Stockholders' equity	(132,848,716)	(23,520,913)	(109,327,803)
Total: Total Equity	(132,848,716)	(23,520,913)	(109,327,803)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	324,689	(2,728)	327,417
22115000 Bonds - Interco	(102,280,321)	(5,000,000)	(97,280,321)
Total: Long-term debt	(107,655,632)	(5,002,728)	(102,652,904)
Total: Total Long-term debt	(107,655,632)	(5,002,728)	(102,652,904)
Total: Total Capitalization	(240,504,348)	(28,523,641)	(211,980,707)
23121000 In-House Cash Center Bank	(11,956,299)	6,146,123	(18,102,422)
23121001 IHC Clearing - Outgoing Payment	9,568	(88,555)	98,124
Total: In-House Cash Center	(11,946,731)	6,057,567	(18,004,298)
Total: Short-term debt	(11,946,731)	6,057,567	(18,004,298)
23410000 A/P - Reconciliation Account	(3,482,481)	39,902	(3,522,383)
23410100 A/P Intercompany - Reconciliation Account	(267,728)	3,786,883	(4,054,610)
23411001 PCard Distributed-Clearing for Mapped Transactions	(40,141)	2,484	(42,626)

Tennessee American Water Company
Trial Balance as of December 31, 2022

Description	December 2022 Balance	Activity	Prior Year Balance
23411400 A/P - Gcard Clearing	6	6	0
23430000 A/P - Miscellaneous	0	98,622	(98,622)
23430600 A/P - Workbasket Accrual	(187,403)	(82,836)	(104,567)
23430700 A/P - Pcard Accrual	(7,207)	4,285	(11,492)
23431000 A/P - Misc Global	(71,376)	(23,769)	(47,607)
23435000 A/P - Project Cost Accrual	(2,289,716)	(210,533)	(2,079,183)
23436000 A/P-GRIR Capital Services	53,002	46,187	6,815
Total: Accounts payable external	(6,293,043)	3,661,232	(9,954,275)
23510000 A/P Associated Companies	137,155	(3,700,621)	3,837,775
23510041 AP Associated Cos - AWI IOTG	(7,069)	(7,069)	0
23520000 A/P Associated Companies - Service Co Bill	924,390	99,437	824,953
23520001 A/P Associated Companies - Service Co Bill	(1,252,152)	46,654	(1,298,806)
23530000 CFO - WLPP Interco	0	0	0
23530100 CFO - SLPP Interco	0	0	0
23530200 CFO - InHome Interco	0	0	0
23530300 CFO - WLPP/SLPP Interco	0	0	0
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	(9)	0
23540000 CFO - WLPP Receivable Interco	0	79	(79)
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	(36)	74
23540100 CFO - SLPP Receivable Interco	(65)	0	(65)
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	(38)	64
23540200 CFO - InHome Receivable Interco	0	26	(26)
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	0	(23)	23
23540300 CFO - WLPP/SLPP Receivable Interco	0	135	(135)
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	0	(126)	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	(214)	(45)
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	0	(45)	45
Total: Accounts payable associated companies	(197,944)	(3,561,850)	3,363,905
Total: Accounts payable	(6,490,987)	99,382	(6,590,369)
23621000 Accrued FIT - Current Year	506,990	1,577,033	(1,070,043)
23622000 Accrued FIT - Prior Years	59,632	0	59,632
Total: Accrued federal income tax	566,622	1,577,033	(1,010,411)
23631000 Accrued SIT - Current Year	713,246	555,407	157,839
23632000 Accrued SIT - Prior Years	157,813	(178,833)	336,646
Total: Accrued state income tax	871,059	376,574	494,485
23652000 Accrued Tax - FUTA	(21)	(21)	0
23652100 Accrued Tax - FICA	(49,684)	(76)	(49,608)
23653000 Accrued Tax - Property Tax	(3,618,271)	(157,098)	(3,461,174)
23654000 Accrued Tax - Use Tax	(13,249)	177	(13,426)
23654110 Accrued Tax - Franchise Tax - Income Tax	(768,022)	(35,923)	(732,099)
Total: Other accrued taxes	(4,449,247)	(192,941)	(4,256,306)
Total: Taxes accrued, including income taxes	(3,011,566)	1,760,666	(4,772,232)
23720000 Interest Accrued - LTD	(148,960)	0	(148,960)
23730000 Interest Accrued - LTD Interco	(858,351)	(18,542)	(839,810)
Total: Interest accrued	(1,007,311)	(18,542)	(988,770)

Tennessee American Water Company
Trial Balance as of December 31, 2022

Description	December 2022 Balance	Activity	Prior Year Balance
24120000 Accrued Vacation Pay	(123,924)	10,152	(134,076)
24120200 Accrued Power	(195,015)	(21,796)	(173,219)
24120300 Accrued Legal	(52,962)	(38,202)	(14,760)
24120600 Accrued Wages	(149,289)	(7,255)	(142,033)
24120699 Accrued Wages - Net Adjustments Clearing	(400)	4,000	(4,400)
24120700 Accrued Insurance	0	(41,148)	41,148
24121000 Accrued Waste Disposal	(24,900)	32,353	(57,253)
24121100 Accrued Retiree Medical	(29,400)	1,200	(30,600)
24121200 Accrued DCP - Contribution	(18,882)	(473)	(18,409)
24121400 Accrued Bank Fees	(11,375)	2,296	(13,670)
24121800 Accrued Severance	0	27,941	(27,941)
24122500 Refund Rates Under Bond	(44,903)	28,970	(73,873)
24122700 Accrued Employer 401k Match	(12,936)	310	(13,246)
24123000 Accrued Incentive Plan Cash	(506,140)	7,809	(513,949)
24126000 Miscellaneous Deposits Payable	0	400	(400)
24126200 Accrued Paving	(471)	42,740	(43,211)
24133000 Unclaimed Customer Credits	(91,621)	(69,703)	(21,918)
24133200 Unclaimed A/P Checks	(18,997)	(6,406)	(12,590)
24142006 WH PR - 401k Contributions	(22,526)	(816)	(21,710)
24142014 WH PR - ESPP	(7,248)	147	(7,395)
24150000 Operating Lease Current Liability	(935)	(21)	(914)
24161000 GRIR - Stock E (Materials)	(82,335)	(26,437)	(55,897)
24163000 GRIR - Stock C (Chemicals)	(45,498)	17,404	(62,902)
24164000 GRIR - Non-inventory	(217,882)	160,264	(378,146)
24171000 CFO Miscellaneous	(17)	(17)	0
24171006 CFO Customer Assistance Pledged	(192)	28	(220)
24172000 CFO Sales Tax	34,208,667	4,141,381	30,067,285
24172100 CFO Sales Tax - from CIS	(34,519,408)	(4,147,583)	(30,371,826)
24199100 Reg Liab-OCL taxable	0	231,110	(231,110)
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	726,806	(726,806)
24199700 Deferred Revenue - Current Portion	0	504	(504)
24199900 Other Current Liabilities - Non-Tax Sensitive	(500,201)	(96,672)	(403,529)
25299900 Advances for Construction - Current	(710,351)	(93,773)	(616,578)
Total: Other current liabilities	(3,179,140)	885,513	(4,064,654)
Total: Total Current Liabilities	(25,635,736)	8,784,587	(34,420,323)
25211000 Advances for Construction - NT Mains	(3,534,419)	(3,508,571)	(25,849)
25212000 Advances for Construction - NT Extension Deposits	(1,050,545)	197,270	(1,247,816)
25215000 Advances for Construction - NT Hydrants	(20,761)	(6,507)	(14,254)
25217000 Advances for Construction - NT WIP	(1,248,340)	1,848,550	(3,096,890)
25221000 Advances for Construction - Tax Mains	(1,484,351)	117,502	(1,601,854)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	31,428	(92,716)
25223000 Advances for Construction - Tax Services	(7,969)	22,290	(30,259)
25225000 Advances for Construction - Tax Hydrants	(35,378)	24,357	(59,735)
25227000 Advances for Construction - Tax WIP	0	108,797	(108,797)
25241000 Advances for Construction - Tax Mains - FIT	(1,030,217)	300,461	(1,330,678)

Tennessee American Water Company
Trial Balance as of December 31, 2022

Description	December 2022 Balance	Activity	Prior Year Balance
25243000 Advances for Construction - Tax Services - FIT	0	22	(22)
25245000 Advances for Construction - Tax Hydrants - FIT	(35,358)	13,144	(48,502)
25280000 Advances for Construction - Reclassed to Current	710,351	93,773	616,578
Total: Customer Advances for construction	(7,798,277)	(757,484)	(7,040,793)
25310000 Deferred FIT Liability – Property	59,697	77,365	(17,668)
25310100 Deferred FIT Liability - FAS109 Increment	(1,723,325)	(1,723,325)	0
25311000 Deferred FIT Liability – Non Property	(29,493,625)	(2,009,488)	(27,484,137)
25311100 Deferred FIT Liability - FAS109 Gross Up	(610,618)	(610,618)	0
Total: Federal Deferred income taxes long-term	(31,767,872)	(4,266,066)	(27,501,805)
25320000 Deferred SIT Liability - Property	(629,439)	(629,439)	0
25320100 Deferred SIT Liability - FAS109 Increment	6,389	6,389	0
25321000 Deferred SIT Liability – Non Property	(8,455,016)	(496,069)	(7,958,947)
Total: State Deferred income taxes long-term	(9,078,065)	(1,119,118)	(7,958,947)
Total: Deferred income taxes	(40,845,936)	(5,385,184)	(35,460,752)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(16,920)	4,764	(21,684)
25510300 Unamortized ITC - 10%	0	31,037	(31,037)
Total: Deferred investment tax credits	(16,920)	35,801	(52,721)
25700000 Reg Liab - Cost of Removal	0	0	0
25710000 Reg Liab - Cost of Removal RWIP	0	0	0
Total: Reg liability - cost of removal	0	0	0
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(10,212,266)	6,836,784	(17,049,050)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	0	219,473	(219,473)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	0	(257,877)	257,877
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	(705,186)	(705,186)	0
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	0	(119,619)	119,619
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(5,921)	(5,921)	(0)
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	0	7,673	(7,673)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	0	10,982	(10,982)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	280,929	(3,658,754)	3,939,683
25633000 Reg Liab - Pension Tracker	(2,250,591)	(739,932)	(1,510,659)
25636000 Reg Liab - Pandemic Costs	0	0	0
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(730,800)	84,600	(815,400)
25689900 Reg Liab - Other	0	0	0
Total: Other regulatory liabilities	(13,623,835)	1,672,222	(15,296,057)
Total: Regulatory liabilities	(13,623,835)	1,672,222	(15,296,057)
26212000 Accrued Pension Expense	2,684,684	1,051,000	1,633,684
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,684,684	1,051,000	1,633,684
26221000 Accrued OPEB	4,333,456	1,555,823	2,777,633
26221500 Accrued OPEB Medicare Subsidy	(149,524)	(8,600)	(140,924)
Total: Accrued postretirement benefit expense	4,183,932	1,547,222	2,636,709
26300000 Operating Lease Long-Term Liability	(1,066)	935	(2,001)
Total: Operating lease long-term liabilities	(1,066)	935	(2,001)
26580000 FIN 48 Reserve - Federal	(584,759)	(125,626)	(459,133)

Tennessee American Water Company
Trial Balance as of December 31, 2022

Description	December 2022 Balance	Activity	Prior Year Balance
26581000 FIN 48 Reserve - State	(156,523)	107,355	(263,878)
Total: Other tax liabilities	(741,282)	(18,271)	(723,011)
Total: Other Deferred Credits	(741,282)	(18,271)	(723,011)
Total: Regulatory and other long-term liabilities	(56,158,701)	(1,853,759)	(54,304,942)
27111000 CIAC-Non Taxable - Mains	(6,350,321)	(424,085)	(5,926,236)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	(127,951)	(8,300,445)
27113000 CIAC-Non Taxable - Services	(496,083)	(3,445)	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,372,962)	(74,817)	(1,298,145)
27116000 CIAC-Non Taxable - Other	(3,083,061)	0	(3,083,061)
27117000 CIAC-Non Taxable - WIP	(111,366)	195,714	(307,080)
27121000 CIAC-Taxable - Mains	(2,375,582)	(63,575)	(2,312,007)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,837,432)	(236,605)	(2,600,826)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(314,411)	(22,836)	(291,575)
27127000 CIAC-Taxable - WIP	(97,272)	16,935	(114,207)
27141000 CIAC-Taxable - Mains FIT	(441,787)	(61,189)	(380,598)
27143000 CIAC-Taxable - Services FIT	(46,198)	(4,153)	(42,045)
27145000 CIAC-Taxable - Hydrants FIT	(39,591)	(2,155)	(37,436)
27206000 Accum Amort CIAC - Other	5,758,318	255,816	5,502,502
27210000 Accum Amort CIAC - Tax	1,177,408	77,014	1,100,394
Total: Contributions in aid of construction	(19,283,950)	(475,331)	(18,808,619)
Total: CAPITAL AND LIABILITIES	(341,582,734)	(22,068,144)	(319,514,590)
Total: BALANCE SHEET (Net Profit)	3,360,477	(59,096)	3,419,573

Tennessee American Water Company
Trial Balance as of January 31, 2023

Description	January 2023 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	896,090	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	756,575	64,776	691,799
10130420 UPIS - Struct & Imp - Pumping	7,549,465	395,400	7,154,065
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	(69)	18,584,075
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,441,604	216,720	4,224,884
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	88,376	767,741
10131120 UPIS - Pumping Equipment - Electric	5,233,010	54,557	5,178,452
10131130 UPIS - Pumping Equipment - Diesel	92,937	(26,359)	119,296
10131150 UPIS - Pumping Equipment - Other	1,918,747	1,258,258	660,488
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	(1,591)	2,621,788
10132010 UPIS - Water Treatment Equipment	28,893,197	1,314,543	27,578,654
10133000 UPIS - Distribution Reservoirs & Standpipes	14,515,208	(284,869)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	158,282,610	5,172,618	153,109,992
10133300 UPIS - Services	32,684,776	300,700	32,384,076
10133410 UPIS - Meters	19,062,365	1,776,926	17,285,439
10133420 UPIS - Meter Installations	22,506,967	1,274,792	21,232,175
10133500 UPIS - Hydrants	12,454,467	598,381	11,856,085
10133910 UPIS - Other P/E - Intangible	1,450,178	1,049,122	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	14,982,163	2,101,561	12,880,602
10134100 UPIS - Transportation Equipment	7,170,413	1,006,407	6,164,006
10134200 UPIS - Stores Equipment	0	(24,072)	24,072
10134300 UPIS - Tools-Shop-Garage Equipment	953,072	187,757	765,315
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,300,111	210,278	2,089,832
10134700 UPIS - Misc Equipment	516,242	49,565	466,677
10134800 UPIS - Other Tangible Property	17,776	12,858	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10630360 CCNC Land & Land Rights - Adm & Gen	0	(896,090)	896,090
10630410 CCNC Struct & Imp - Source of Supply	2,795,044	2,790,496	4,548
10630420 CCNC Struct & Imp - Pumping	487,118	(711,109)	1,198,228
10630430 CCNC Struct & Imp - Water Treatment	14,262,181	35,982	14,226,199
10630440 CCNC Struct & Imp - Transmission & Distribution	0	(106,686)	106,686
10630450 CCNC Struct & Imp - Admin & General	756,144	(139,707)	895,850
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	0	1,349,045
10631000 CCNC Power Generation Equipment	0	(81,708)	81,708
10631120 CCNC Pumping Equipment - Electric	85,985	8,324	77,662

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Description	January 2023 Balance	Activity	Prior Year Balance
10631150 CCNC Pumping Equipment - Other	4,985,551	(58,562)	5,044,113
10631152 CCNC Pumping Equipment - Source of Supply	48,818	48,818	0
10632010 CCNC - Water Treatment Equipment - Non-Media	1,963,838	(79,390)	2,043,228
10633000 CCNC - Distribution Reservoirs & Standpipes	5,320,699	1,559,375	3,761,325
10633100 CCNC - Transmssn & Distr Mains Not Classified	26,906,354	6,287,706	20,618,648
10633300 CCNC Services	560,552	276,880	283,672
10633410 CCNC Meters	4,560,758	782,767	3,777,991
10633420 CCNC Meter Installations	2,000,319	604,705	1,395,614
10633500 CCNC Hydrants	1,026,803	174,012	852,791
10633910 CCNC Other P/E Intangible	130,284	(1,049,122)	1,179,406
10634010 CCNC Office Furniture & Equipment	5,211,731	(3,080,749)	8,292,480
10634100 CCNC Transportation Equipment Not Classified	2,622,657	208,738	2,413,919
10634300 CCNC Tools-Shop-Garage Equipment	117,181	(7,862)	125,043
10634400 CCNC Laboratory Equipment	7,804	7,804	0
10634600 CCNC Communication Equipment	233,204	97,438	135,766
10634700 CCNC Misc Equipment	420,828	370,186	50,641
10634800 CCNC Other Tangible Property	2,963	(12,858)	15,821
Total: Utility plant in service	440,771,271	24,722,113	416,049,158
10700000 CWIP	6,724,887	2,259,683	4,465,205
10780110 CWIP - Eng Clearing Dist Overhead	79,325	(79,369)	158,694
10780120 CWIP - Eng Clearing Eng Overhead	349	315	34
10780160 CWIP - Suspended CWIP Reserve	(58,939)	(36,114)	(22,825)
Total: Construction work in progress	6,745,622	2,144,514	4,601,108
10801000 Accum Depreciation - Utility Plant in Service	(174,976,194)	(11,170,196)	(163,805,998)
10802000 Accum Depreciation - Salvage/Scrap	(4,788,920)	(207,023)	(4,581,898)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	51,377,247	4,092,560	47,284,687
10810000 Accum Depreciation - Reg Asset	(35,147)	(1,116)	(34,031)
Total: Accumulated depreciation/amortization	(128,432,874)	(7,285,774)	(121,147,100)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	315,334,439	19,580,853	295,753,587
Total: Total Property Plant & Equipment	315,334,439	19,580,853	295,753,587
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	5,229	5,124	105
13140103 PNC AWCC-Accounts Payable - Outbound Check	(123,006)	557,330	(680,336)
13140303 PNC AWCC-Customer Refund - Outbound Check	(86,944)	131,602	(218,546)
13162600 US Bank TN - Main	422,126	165,716	256,410
13162608 US Bank TN - Customer Lockbox	287	287	0
13162609 US Bank TN - Credit Card and E-Checks	89,650	(55,187)	144,836
13162610 US Bank TN - Firstech Collections	886	(286)	1,172
13162611 US Bank TN - FiServ (aka CheckFree)	1,766	(12,174)	13,940
13162612 US Bank TN - Penn Credit	0	(400)	400
13162613 US Bank TN - E-Return - US Bank	39	20	19
13162614 US Bank TN -Credit Card & Echeck E-Returns	(613)	(613)	0

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Description	January 2023 Balance	Activity	Prior Year Balance
13162616 US Bank TN - NSF Return Payments	107	36	70
13199004 Cash Clearing - MI's	(3,403)	5,655	(9,057)
Total: Cash and cash equivalents	308,124	797,109	(488,985)
14100000 A/R - Customer - CIS Reconciliation	4,656,643	312,238	4,344,406
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	0	0	0
14100998 A/R - Customer - Payment Clarification	0	7,371	(7,371)
14100999 A/R - Customer - Returns Clarification	200	200	0
Total: Utility customer accounts receivable	4,656,843	319,808	4,337,035
14510000 A/R Assoc Cos - Miscellaneous	0	(883,377)	883,377
14510041 AR Associated Cos - AWI IOTG	153,238	153,238	0
14510100 A/R Assoc Cos - Reconciliation Account	97,700	(153,432)	251,131
14511001 A/R Assoc Cos - Service Company Bill	57,876	(11,057)	68,933
Total: Receivable from affiliated companies	308,814	(894,628)	1,203,442
14610000 Misc A/R - Reconciliation Account	572,293	22,690	549,603
14611000 Misc A/R - Manual	1,463	27	1,436
14611200 Misc A/R - Retro Insurance	0	(160,307)	160,307
14611500 Misc A/R - Medicare Subsidy	59,533	(16,950)	76,483
14613000 Misc A/R - Employees	0	0	0
Total: Other receivables, net	633,290	(154,539)	787,830
14300000 Allowance for Uncollectible Accounts	(375,444)	98,373	(473,816)
14620000 Misc Rec - Allow for Uncollectible Accts	(30,247)	(10,489)	(19,758)
Total: Allowance for uncollectible accounts	(405,691)	87,883	(493,574)
Total: Accounts receivable, net	5,193,257	(641,476)	5,834,732
14400000 Unbilled Utility Revenue	2,435,467	406,350	2,029,117
Total: Unbilled revenues	2,435,467	406,350	2,029,117
15110000 Inventory - Plant Material	1,646,283	559,450	1,086,833
15130000 Inventory - Chemicals	349,110	195,574	153,536
15140000 Inventory - Other Materials & Supplies	41,956	32,276	9,680
Total: Materials and supplies	2,037,349	787,300	1,250,049
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	395,121	83,309	311,813
16520000 Prepaid Insurance	524,180	313,542	210,637
16530000 Prepaid PUC/PSC Assessment	(19,509)	(2,424)	(17,084)
16550000 Prepaid Other	(8,996)	(445)	(8,551)
16550010 Prepaid Other - Global	90,936	67,191	23,745
16611000 Reg Asset-OCA tax	0	0	0
16612000 Reg Asset-OCA non tax	0	0	0
Total: Other current assets	996,733	461,172	535,560
Total: Total Current Assets	10,970,928	1,810,455	9,160,473
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	0	(83,985)	83,985
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	0	(1,791,386)	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	212,142	212,141	0
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	0	(139,441)	139,441
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	68,787	68,787	0
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	0	(2,622,468)	2,622,468

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Description	January 2023 Balance	Activity	Prior Year Balance
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	0	708,106	(708,106)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	0	0	0
Total: Reg asset - income tax recovery	280,929	(3,648,244)	3,929,174
18661000 Reg Asset - Unamortized Debt Exp	8,114	(2,256)	10,370
18661500 Reg Asset - Unamortized Debt Exp Interco	1,232,826	(34,121)	1,266,947
Total: Debt and preferred stock expense	1,240,940	(36,377)	1,277,316
18680000 Reg Asset - Cost of Removal	0	0	0
18680100 Reg Asset - Cost of Removal - RWIP	0	0	0
18680101 Reg Asset - Deferred Vacation Pay	243,101	(10,626)	253,727
18680162 Reg Asset- Closing Costs	7,917	(1,000)	8,917
18680218 Regulatory Asset - "Make-Whole Premium"	156,513	(28,032)	184,545
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18680228 Reg Asset - Pandemic Costs	0	0	0
18689900 Reg Asset - Other	0	0	0
Total: Other regulatory assets	440,408	(39,658)	480,066
Total: Regulatory assets	1,962,277	(3,724,279)	5,686,556
18750000 LT Asset - Operating Lease Right-Of-Use Assets	1,924	(916)	2,840
Total: Operating lease right-of-use assets	1,924	(916)	2,840
18715700 LT Asset - Unamort Debt In - Revolver	89,037	39,308	49,729
Total: Other long-term assets	89,037	39,308	49,729
Total: Total Regulatory and other long-term assets	2,053,237	(3,685,887)	5,739,125
Total: ASSETS	328,358,605	17,705,421	310,653,184
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(75,754,015)	(20,101,341)	(55,652,674)
Total: Paid-in capital	(75,754,015)	(20,101,341)	(55,652,674)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(47,191,911)	(3,360,477)	(43,831,434)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(46,700,943)	(3,360,477)	(43,340,466)
Total: Total Stockholders' equity	(136,209,193)	(23,461,817)	(112,747,375)
Total: Total Equity	(136,209,193)	(23,461,817)	(112,747,375)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	323,096	(2,859)	325,955
22115000 Bonds - Interco	(102,280,321)	(5,000,000)	(97,280,321)
Total: Long-term debt	(107,657,225)	(5,002,859)	(102,654,366)
Total: Total Long-term debt	(107,657,225)	(5,002,859)	(102,654,366)
Total: Total Capitalization	(243,866,418)	(28,464,676)	(215,401,742)
23121000 In-House Cash Center Bank	(12,248,274)	7,496,198	(19,744,472)
23121001 IHC Clearing - Outgoing Payment	(61,294)	31,223	(92,517)
Total: In-House Cash Center	(12,309,568)	7,527,421	(19,836,989)
Total: Short-term debt	(12,309,568)	7,527,421	(19,836,989)
23410000 A/P - Reconciliation Account	(2,446,723)	(625,192)	(1,821,531)
23410100 A/P Intercompany - Reconciliation Account	(683,013)	(323,704)	(359,309)
23411001 PCard Distributed-Clearing for Mapped Transactions	(15,583)	(8,323)	(7,260)

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Description	January 2023 Balance	Activity	Prior Year Balance
23411400 A/P - Gcard Clearing	0	0	0
23430000 A/P - Miscellaneous	0	76,581	(76,581)
23430600 A/P - Workbasket Accrual	(169,107)	(79,470)	(89,637)
23430700 A/P - Pcard Accrual	(14,428)	(6,528)	(7,900)
23431000 A/P - Misc Global	(66,522)	(1,250)	(65,272)
23435000 A/P - Project Cost Accrual	(3,195,285)	(965,223)	(2,230,062)
23436000 A/P-GRIR Capital Services	77,724	77,326	398
Total: Accounts payable external	(6,512,937)	(1,855,782)	(4,657,155)
23510000 A/P Associated Companies	(986)	108	(1,094)
23510041 AP Associated Cos - AWI IOTG	0	0	0
23520000 A/P Associated Companies - Service Co Bill	1,031,207	(86,201)	1,117,408
23520001 A/P Associated Companies - Service Co Bill	(891,413)	(14,491)	(876,922)
23530000 CFO - WLPP Interco	0	0	0
23530100 CFO - SLPP Interco	0	0	0
23530200 CFO - InHome Interco	0	0	0
23530300 CFO - WLPP/SLPP Interco	0	0	0
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	0	(9)
23540000 CFO - WLPP Receivable Interco	0	0	0
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	(36)	74
23540100 CFO - SLPP Receivable Interco	(65)	0	(65)
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	(38)	64
23540200 CFO - InHome Receivable Interco	0	0	0
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	0	(23)	23
23540300 CFO - WLPP/SLPP Receivable Interco	0	0	0
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	0	(126)	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	0	(259)
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	0	(45)	45
Total: Accounts payable associated companies	138,539	(100,854)	239,393
Total: Accounts payable	(6,374,398)	(1,956,636)	(4,417,762)
23621000 Accrued FIT - Current Year	181,397	1,307,050	(1,125,653)
23622000 Accrued FIT - Prior Years	59,632	0	59,632
Total: Accrued federal income tax	241,029	1,307,050	(1,066,021)
23631000 Accrued SIT - Current Year	584,320	443,545	140,775
23632000 Accrued SIT - Prior Years	157,813	(178,833)	336,646
Total: Accrued state income tax	742,133	264,712	477,421
23652000 Accrued Tax - FUTA	(21)	(21)	0
23652100 Accrued Tax - FICA	(57,665)	(2,321)	(55,344)
23653000 Accrued Tax - Property Tax	(3,906,361)	(155,277)	(3,751,084)
23654000 Accrued Tax - Use Tax	(1,398)	17,727	(19,126)
23654110 Accrued Tax - Franchise Tax - Income Tax	(832,022)	(38,923)	(793,099)
Total: Other accrued taxes	(4,797,467)	(178,815)	(4,618,652)
Total: Taxes accrued, including income taxes	(3,814,305)	1,392,947	(5,207,252)
23720000 Interest Accrued - LTD	(186,200)	0	(186,200)
23730000 Interest Accrued - LTD Interco	(1,196,727)	(37,083)	(1,159,644)
Total: Interest accrued	(1,382,927)	(37,083)	(1,345,844)

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Description	January 2023 Balance	Activity	Prior Year Balance
24120000 Accrued Vacation Pay	(243,101)	10,626	(253,727)
24120200 Accrued Power	(200,470)	(33,659)	(166,811)
24120300 Accrued Legal	(22,858)	8,326	(31,184)
24120600 Accrued Wages	(210,095)	(38,184)	(171,910)
24120699 Accrued Wages - Net Adjustments Clearing	(600)	3,800	(4,400)
24120700 Accrued Insurance	0	(31,186)	31,186
24121000 Accrued Waste Disposal	(56,500)	(6,881)	(49,619)
24121100 Accrued Retiree Medical	(4,288)	(81)	(4,208)
24121200 Accrued DCP - Contribution	(21,300)	(1,405)	(19,895)
24121400 Accrued Bank Fees	(14,480)	(520)	(13,960)
24121800 Accrued Severance	0	0	0
24122500 Refund Rates Under Bond	(0)	155,593	(155,593)
24122700 Accrued Employer 401k Match	(14,580)	(223)	(14,357)
24123000 Accrued Incentive Plan Cash	(550,430)	7,002	(557,432)
24126000 Miscellaneous Deposits Payable	0	2,571	(2,571)
24126200 Accrued Paving	(471)	11,561	(12,032)
24133000 Unclaimed Customer Credits	(91,630)	(69,706)	(21,924)
24133200 Unclaimed A/P Checks	(18,997)	(6,406)	(12,590)
24142006 WH PR - 401k Contributions	(23,281)	(85)	(23,196)
24142014 WH PR - ESPP	(12,088)	298	(12,386)
24150000 Operating Lease Current Liability	(937)	(21)	(916)
24161000 GRIR - Stock E (Materials)	(51,461)	23,833	(75,294)
24163000 GRIR - Stock C (Chemicals)	(170,076)	(104,551)	(65,525)
24164000 GRIR - Non-inventory	(222,187)	62,780	(284,967)
24171000 CFO Miscellaneous	(17)	0	(17)
24171006 CFO Customer Assistance Pledged	(237)	38	(275)
24172000 CFO Sales Tax	34,519,408	4,148,115	30,371,293
24172100 CFO Sales Tax - from CIS	(34,927,552)	(4,176,087)	(30,751,466)
24199100 Reg Liab-OCL taxable	0	231,110	(231,110)
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	635,956	(635,956)
24199700 Deferred Revenue - Current Portion	(591,576)	(8,521)	(583,056)
24199900 Other Current Liabilities - Non-Tax Sensitive	0	0	0
25299900 Advances for Construction - Current	(710,351)	(93,773)	(616,578)
Total: Other current liabilities	(3,640,156)	730,322	(4,370,478)
Total: Total Current Liabilities	(27,521,354)	7,656,971	(35,178,325)
25211000 Advances for Construction - NT Mains	(3,534,419)	(3,315,614)	(218,805)
25212000 Advances for Construction - NT Extension Deposits	(1,050,545)	197,270	(1,247,816)
25215000 Advances for Construction - NT Hydrants	(20,761)	1,072	(21,834)
25217000 Advances for Construction - NT WIP	(1,953,594)	801,929	(2,755,523)
25221000 Advances for Construction - Tax Mains	(1,404,827)	344,564	(1,749,391)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	31,428	(92,716)
25223000 Advances for Construction - Tax Services	(7,969)	22,290	(30,259)
25225000 Advances for Construction - Tax Hydrants	(35,495)	24,240	(59,735)
25227000 Advances for Construction - Tax WIP	(166,284)	(52,011)	(114,273)
25241000 Advances for Construction - Tax Mains - FIT	(950,693)	386,691	(1,337,384)

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Description	January 2023 Balance	Activity	Prior Year Balance
25243000 Advances for Construction - Tax Services - FIT	0	22	(22)
25245000 Advances for Construction - Tax Hydrants - FIT	(35,475)	13,027	(48,502)
25280000 Advances for Construction - Reclassed to Current	710,351	93,773	616,578
Total: Customer Advances for construction	(8,511,000)	(1,451,318)	(7,059,682)
25310000 Deferred FIT Liability – Property	115,639	133,307	(17,668)
25310100 Deferred FIT Liability - FAS109 Increment	(1,779,267)	(1,779,267)	0
25311000 Deferred FIT Liability – Non Property	(29,457,377)	(1,795,643)	(27,661,733)
25311100 Deferred FIT Liability - FAS109 Gross Up	(630,503)	(630,503)	0
Total: Federal Deferred income taxes long-term	(31,751,508)	(4,072,106)	(27,679,401)
25320000 Deferred SIT Liability - Property	(629,439)	(629,439)	0
25320100 Deferred SIT Liability - FAS109 Increment	6,389	6,389	0
25321000 Deferred SIT Liability – Non Property	(8,453,638)	(384,630)	(8,069,008)
Total: State Deferred income taxes long-term	(9,076,687)	(1,007,679)	(8,069,008)
Total: Deferred income taxes	(40,828,195)	(5,079,786)	(35,748,409)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(16,920)	4,367	(21,287)
25510300 Unamortized ITC - 10%	0	25,328	(25,328)
Total: Deferred investment tax credits	(16,920)	29,695	(46,615)
25700000 Reg Liab - Cost of Removal	18,819,789	2,000,694	16,819,094
25710000 Reg Liab - Cost of Removal RWIP	824,320	(11,391)	835,711
Total: Reg liability - cost of removal	19,644,109	1,989,303	17,654,805
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(10,141,453)	6,696,520	(16,837,973)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	0	218,457	(218,457)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	0	(256,682)	256,682
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	(700,172)	(700,172)	0
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	0	(119,048)	119,048
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(5,921)	(5,921)	(0)
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	0	7,533	(7,533)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	0	8,962	(8,962)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	0	0	0
25633000 Reg Liab - Pension Tracker	(2,278,304)	(705,745)	(1,572,559)
25636000 Reg Liab - Pandemic Costs	0	0	0
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(730,800)	84,600	(815,400)
25689900 Reg Liab - Other	1,172,742	855,921	316,820
Total: Other regulatory liabilities	(12,683,909)	6,084,424	(18,768,333)
Total: Regulatory liabilities	6,960,200	8,073,727	(1,113,527)
26212000 Accrued Pension Expense	2,659,293	984,993	1,674,300
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,659,293	984,993	1,674,300
26221000 Accrued OPEB	4,400,081	1,520,889	2,879,192
26221500 Accrued OPEB Medicare Subsidy	(151,544)	(8,477)	(143,067)
Total: Accrued postretirement benefit expense	4,248,537	1,512,411	2,736,125
26300000 Operating Lease Long-Term Liability	(987)	937	(1,924)
Total: Operating lease long-term liabilities	(987)	937	(1,924)
26580000 FIN 48 Reserve - Federal	(584,759)	(125,626)	(459,133)

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Description	January 2023 Balance	Activity	Prior Year Balance
26581000 FIN 48 Reserve - State	(156,523)	107,355	(263,878)
Total: Other tax liabilities	(741,282)	(18,271)	(723,011)
Total: Other Deferred Credits	(741,282)	(18,271)	(723,011)
Total: Regulatory and other long-term liabilities	(36,230,354)	4,052,389	(40,282,743)
27111000 CIAC-Non Taxable - Mains	(6,350,321)	(330,379)	(6,019,942)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	(130,672)	(8,297,724)
27113000 CIAC-Non Taxable - Services	(496,083)	(3,445)	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,372,962)	(51,372)	(1,321,589)
27116000 CIAC-Non Taxable - Other	(3,083,061)	0	(3,083,061)
27117000 CIAC-Non Taxable - WIP	(130,122)	51,602	(181,724)
27121000 CIAC-Taxable - Mains	(2,375,582)	(66,320)	(2,309,262)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,846,366)	(245,540)	(2,600,826)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(314,411)	(22,576)	(291,834)
27127000 CIAC-Taxable - WIP	(88,842)	25,365	(114,207)
27141000 CIAC-Taxable - Mains FIT	(441,787)	(61,189)	(380,598)
27143000 CIAC-Taxable - Services FIT	(50,665)	(8,620)	(42,045)
27145000 CIAC-Taxable - Hydrants FIT	(39,591)	(2,155)	(37,436)
27206000 Accum Amort CIAC - Other	5,780,031	256,538	5,523,493
27210000 Accum Amort CIAC - Tax	1,183,725	76,774	1,106,951
Total: Contributions in aid of construction	(19,279,648)	(511,990)	(18,767,658)
Total: CAPITAL AND LIABILITIES	(326,897,774)	(17,267,306)	(309,630,467)
Total: BALANCE SHEET (Net Profit)	1,460,831	438,114	1,022,717

Tennessee American Water Company
Trial Balance as of February 28, 2023

Description	February 2023 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	896,090	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	756,575	64,776	691,799
10130420 UPIS - Struct & Imp - Pumping	7,549,465	395,400	7,154,065
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	231	18,583,775
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,441,604	216,720	4,224,884
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	88,376	767,741
10131120 UPIS - Pumping Equipment - Electric	5,233,010	56,041	5,176,969
10131130 UPIS - Pumping Equipment - Diesel	92,937	(26,359)	119,296
10131150 UPIS - Pumping Equipment - Other	1,940,163	1,212,197	727,966
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	0	2,620,198
10132010 UPIS - Water Treatment Equipment	28,893,197	1,314,660	27,578,537
10133000 UPIS - Distribution Reservoirs & Standpipes	14,515,208	(284,869)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	158,446,146	4,837,140	153,609,006
10133300 UPIS - Services	32,686,430	287,377	32,399,053
10133410 UPIS - Meters	19,063,646	1,779,446	17,284,200
10133420 UPIS - Meter Installations	22,591,698	1,302,584	21,289,114
10133500 UPIS - Hydrants	12,537,874	591,146	11,946,728
10133910 UPIS - Other P/E - Intangible	1,450,178	1,049,122	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	14,982,130	2,101,528	12,880,602
10134100 UPIS - Transportation Equipment	7,170,413	1,006,407	6,164,006
10134200 UPIS - Stores Equipment	0	(24,072)	24,072
10134300 UPIS - Tools-Shop-Garage Equipment	953,072	182,590	770,482
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,300,111	210,278	2,089,832
10134700 UPIS - Misc Equipment	604,447	137,771	466,677
10134800 UPIS - Other Tangible Property	17,776	12,858	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10630360 CCNC Land & Land Rights - Adm & Gen	0	(896,090)	896,090
10630410 CCNC Struct & Imp - Source of Supply	3,590,526	3,585,978	4,548
10630420 CCNC Struct & Imp - Pumping	487,118	(725,314)	1,212,432
10630430 CCNC Struct & Imp - Water Treatment	14,262,181	(9,629)	14,271,810
10630440 CCNC Struct & Imp - Transmission & Distribution	0	(106,686)	106,686
10630450 CCNC Struct & Imp - Admin & General	756,144	(139,706)	895,850
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	0	1,349,045
10631000 CCNC Power Generation Equipment	0	(88,376)	88,376
10631120 CCNC Pumping Equipment - Electric	85,985	8,411	77,575
10631150 CCNC Pumping Equipment - Other	4,964,135	(169,511)	5,133,645
10631152 CCNC Pumping Equipment - Source of Supply	48,818	48,818	0

Tennessee American Water Company
Trial Balance as of February 28, 2023

Description	February 2023 Balance	Activity	Prior Year Balance
10632010 CCNC - Water Treatment Equipment - Non-Media	1,963,838	(81,848)	2,045,686
10633000 CCNC - Distribution Reservoirs & Standpipes	5,413,285	1,636,258	3,777,027
10633100 CCNC - Transmssn & Distr Mains Not Classified	26,983,870	6,186,674	20,797,195
10633300 CCNC Services	644,483	380,412	264,071
10633410 CCNC Meters	4,852,917	1,082,875	3,770,041
10633420 CCNC Meter Installations	2,099,060	695,161	1,403,899
10633500 CCNC Hydrants	1,051,524	102,164	949,360
10633910 CCNC Other P/E Intangible	130,284	(1,049,122)	1,179,406
10634010 CCNC Office Furniture & Equipment	5,214,648	(3,112,753)	8,327,401
10634100 CCNC Transportation Equipment Not Classified	2,640,143	67,605	2,572,538
10634300 CCNC Tools-Shop-Garage Equipment	120,304	428	119,876
10634400 CCNC Laboratory Equipment	7,804	7,804	0
10634600 CCNC Communication Equipment	272,283	134,215	138,068
10634700 CCNC Misc Equipment	333,159	282,517	50,641
10634800 CCNC Other Tangible Property	2,963	(12,858)	15,821
Total: Utility plant in service	442,634,125	25,234,867	417,399,258
10700000 CWIP	7,284,593	2,953,343	4,331,250
10780110 CWIP - Eng Clearing Dist Overhead	169,064	(125,660)	294,724
10780120 CWIP - Eng Clearing Eng Overhead	358	(746)	1,104
10780160 CWIP - Suspended CWIP Reserve	(58,939)	(36,114)	(22,825)
10780170 CWIP-T&I Indirect OH Clearing	0	2,326	(2,326)
Total: Construction work in progress	7,395,076	2,793,148	4,601,927
10801000 Accum Depreciation - Utility Plant in Service	(175,942,588)	(11,219,572)	(164,723,016)
10802000 Accum Depreciation - Salvage/Scrap	(4,788,920)	(206,593)	(4,582,328)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	51,378,551	4,069,336	47,309,216
10810000 Accum Depreciation - Reg Asset	(35,240)	(1,116)	(34,124)
Total: Accumulated depreciation/amortization	(129,398,057)	(7,357,945)	(122,040,112)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	316,881,565	20,670,070	296,211,495
Total: Total Property Plant & Equipment	316,881,565	20,670,070	296,211,495
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	2,931	2,707	224
13140103 PNC AWCC-Accounts Payable - Outbound Check	(85,731)	538,971	(624,702)
13140303 PNC AWCC-Customer Refund - Outbound Check	(88,128)	130,471	(218,598)
13162600 US Bank TN - Main	215,163	(14,281)	229,444
13162608 US Bank TN - Customer Lockbox	0	0	0
13162609 US Bank TN - Credit Card and E-Checks	104,533	(60,862)	165,395
13162610 US Bank TN - Firstech Collections	1,365	470	895
13162611 US Bank TN - FiServ (aka CheckFree)	1,963	(7,373)	9,337
13162612 US Bank TN - Penn Credit	0	(123)	123
13162613 US Bank TN - E-Return - US Bank	0	0	0
13162614 US Bank TN -Credit Card & Echeck E-Returns	(564)	(564)	0
13162616 US Bank TN - NSF Return Payments	160	160	0
13199004 Cash Clearing - MI's	0	681	(681)
Total: Cash and cash equivalents	153,693	590,254	(436,562)

Tennessee American Water Company
Trial Balance as of February 28, 2023

Description	February 2023 Balance	Activity	Prior Year Balance
14100000 A/R - Customer - CIS Reconciliation	4,389,846	301,068	4,088,779
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	0	0	0
14100998 A/R - Customer - Payment Clarification	0	6,028	(6,028)
14100999 A/R - Customer - Returns Clarification	(181)	(2,130)	1,949
Total: Utility customer accounts receivable	4,389,666	304,966	4,084,700
14510000 A/R Assoc Cos - Miscellaneous	(3,100)	(3,100)	0
14510041 AR Associated Cos - AWI IOTG	153,238	153,238	0
14510100 A/R Assoc Cos - Reconciliation Account	43,315	(273,535)	316,850
14511001 A/R Assoc Cos - Service Company Bill	68,312	8,185	60,127
Total: Receivable from affiliated companies	261,765	(115,212)	376,977
14610000 Misc A/R - Reconciliation Account	1,273,761	726,244	547,517
14611000 Misc A/R - Manual	1,472	41	1,431
14611200 Misc A/R - Retro Insurance	0	(160,307)	160,307
14611500 Misc A/R - Medicare Subsidy	61,553	(17,073)	78,626
14613000 Misc A/R - Employees	0	0	0
Total: Other receivables, net	1,336,787	548,905	787,882
14300000 Allowance for Uncollectible Accounts	(365,781)	83,508	(449,289)
14620000 Misc Rec - Allow for Uncollectible Accts	(30,247)	(10,489)	(19,758)
Total: Allowance for uncollectible accounts	(396,029)	73,019	(469,047)
Total: Accounts receivable, net	5,592,188	811,678	4,780,511
14400000 Unbilled Utility Revenue	2,471,366	349,708	2,121,658
Total: Unbilled revenues	2,471,366	349,708	2,121,658
15110000 Inventory - Plant Material	1,597,911	500,228	1,097,683
15130000 Inventory - Chemicals	316,220	147,203	169,017
15140000 Inventory - Other Materials & Supplies	33,642	11,901	21,741
Total: Materials and supplies	1,947,773	659,332	1,288,441
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	316,097	65,009	251,088
16520000 Prepaid Insurance	427,963	49,816	378,147
16530000 Prepaid PUC/PSC Assessment	(39,017)	(4,848)	(34,169)
16550000 Prepaid Other	(24,299)	(1,448)	(22,851)
16550010 Prepaid Other - Global	89,138	68,203	20,935
16611000 Reg Asset-OCA tax	0	0	0
16612000 Reg Asset-OCA non tax	0	0	0
Total: Other current assets	784,881	176,732	608,150
Total: Total Current Assets	10,949,902	2,587,704	8,362,198
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	0	(83,985)	83,985
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	0	(1,791,386)	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	212,142	212,141	0
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	0	(133,149)	133,149
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	68,787	68,787	0
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	0	(2,622,468)	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	0	712,324	(712,324)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	0	0	0
Total: Reg asset - income tax recovery	280,929	(3,637,735)	3,918,664
18661000 Reg Asset - Unamortized Debt Exp	7,939	(2,243)	10,182
18661500 Reg Asset - Unamortized Debt Exp Interco	1,226,663	(34,168)	1,260,831

Tennessee American Water Company
Trial Balance as of February 28, 2023

Description	February 2023 Balance	Activity	Prior Year Balance
Total: Debt and preferred stock expense	1,234,601	(36,411)	1,271,012
18680000 Reg Asset - Cost of Removal	0	0	0
18680100 Reg Asset - Cost of Removal - RWIP	0	0	0
18680101 Reg Asset - Deferred Vacation Pay	243,101	(10,626)	253,727
18680162 Reg Asset- Closing Costs	7,833	(1,000)	8,833
18680218 Regulatory Asset - "Make-Whole Premium"	154,177	(28,032)	182,209
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18680228 Reg Asset - Pandemic Costs	0	0	0
18689900 Reg Asset - Other	0	0	0
Total: Other regulatory assets	437,989	(39,658)	477,647
Total: Regulatory assets	1,953,519	(3,713,804)	5,667,323
18750000 LT Asset - Operating Lease Right-Of-Use Assets	1,846	(918)	2,764
Total: Operating lease right-of-use assets	1,846	(918)	2,764
18715700 LT Asset - Unamort Debt In - Revolver	79,837	31,416	48,420
Total: Other long-term assets	79,837	31,416	48,420
Total: Total Regulatory and other long-term assets	2,035,202	(3,683,306)	5,718,508
Total: ASSETS	329,866,669	19,574,468	310,292,200
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(75,756,070)	(101,260)	(75,654,810)
Total: Paid-in capital	(75,756,070)	(101,260)	(75,654,810)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(47,191,911)	(3,360,477)	(43,831,434)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(46,700,943)	(3,360,477)	(43,340,466)
Total: Total Stockholders' equity	(136,211,248)	(3,461,736)	(132,749,511)
Total: Total Equity	(136,211,248)	(3,461,736)	(132,749,511)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	321,503	(2,990)	324,493
22115000 Bonds - Interco	(102,280,321)	(5,000,000)	(97,280,321)
Total: Long-term debt	(107,658,818)	(5,002,990)	(102,655,829)
Total: Total Long-term debt	(107,658,818)	(5,002,990)	(102,655,829)
Total: Total Capitalization	(243,870,066)	(8,464,726)	(235,405,340)
23121000 In-House Cash Center Bank	(16,157,548)	(14,104,177)	(2,053,371)
23121001 IHC Clearing - Outgoing Payment	(53,042)	164,492	(217,534)
Total: In-House Cash Center	(16,210,590)	(13,939,685)	(2,270,904)
Total: Short-term debt	(16,210,590)	(13,939,685)	(2,270,904)
23410000 A/P - Reconciliation Account	(1,160,465)	30,799	(1,191,263)
23410100 A/P Intercompany - Reconciliation Account	(205,416)	303,158	(508,574)
23411001 PCard Distributed-Clearing for Mapped Transactions	(11,070)	(1,688)	(9,382)
23411400 A/P - Gcard Clearing	0	0	0
23430000 A/P - Miscellaneous	0	0	0
23430600 A/P - Workbasket Accrual	(104,011)	814	(104,825)
23430700 A/P - Pcard Accrual	(18,465)	(10,189)	(8,276)
23431000 A/P - Misc Global	(12,377)	34,083	(46,459)
23435000 A/P - Project Cost Accrual	(3,784,103)	(1,840,260)	(1,943,842)
23436000 A/P-GRIR Capital Services	44,032	64,368	(20,336)

Tennessee American Water Company
Trial Balance as of February 28, 2023

Description	February 2023 Balance	Activity	Prior Year Balance
Total: Accounts payable external	(5,251,875)	(1,418,916)	(3,832,959)
23510000 A/P Associated Companies	(3,401)	358	(3,759)
23510041 AP Associated Cos - AWI IOTG	0	0	0
23520000 A/P Associated Companies - Service Co Bill	833,537	12,052	821,485
23520001 A/P Associated Companies - Service Co Bill	(871,880)	42,417	(914,297)
23530000 CFO - WLPP Interco	0	0	0
23530100 CFO - SLPP Interco	0	0	0
23530200 CFO - InHome Interco	0	0	0
23530300 CFO - WLPP/SLPP Interco	0	0	0
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	0	(9)
23540000 CFO - WLPP Receivable Interco	0	0	0
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	(36)	74
23540100 CFO - SLPP Receivable Interco	(65)	0	(65)
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	(38)	64
23540200 CFO - InHome Receivable Interco	0	0	0
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	0	(23)	23
23540300 CFO - WLPP/SLPP Receivable Interco	0	0	0
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	0	(126)	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	0	(259)
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	0	(45)	45
Total: Accounts payable associated companies	(42,013)	54,558	(96,571)
Total: Accounts payable	(5,293,888)	(1,364,358)	(3,929,530)
23621000 Accrued FIT - Current Year	(100,203)	1,031,850	(1,132,053)
23622000 Accrued FIT - Prior Years	59,632	0	59,632
Total: Accrued federal income tax	(40,571)	1,031,850	(1,072,421)
23631000 Accrued SIT - Current Year	496,978	370,446	126,532
23632000 Accrued SIT - Prior Years	157,813	(178,833)	336,646
Total: Accrued state income tax	654,791	191,613	463,178
23652000 Accrued Tax - FUTA	(21)	(21)	0
23652100 Accrued Tax - FICA	(60,978)	(2,109)	(58,869)
23653000 Accrued Tax - Property Tax	(748,724)	86,280	(835,004)
23654000 Accrued Tax - Use Tax	(389)	2,838	(3,227)
23654110 Accrued Tax - Franchise Tax - Income Tax	(896,022)	(41,923)	(854,099)
Total: Other accrued taxes	(1,706,134)	45,065	(1,751,198)
Total: Taxes accrued, including income taxes	(1,091,913)	1,268,528	(2,360,441)
23720000 Interest Accrued - LTD	(223,440)	0	(223,440)
23730000 Interest Accrued - LTD Interco	(1,535,103)	(55,625)	(1,479,478)
Total: Interest accrued	(1,758,543)	(55,625)	(1,702,918)
24120000 Accrued Vacation Pay	(243,101)	10,626	(253,727)
24120200 Accrued Power	(185,431)	(31,850)	(153,581)
24120300 Accrued Legal	(38,367)	4,713	(43,080)
24120600 Accrued Wages	(203,004)	(31,967)	(171,038)
24120699 Accrued Wages - Net Adjustments Clearing	(213)	2,387	(2,600)
24120700 Accrued Insurance	0	(29,509)	29,509
24121000 Accrued Waste Disposal	(108,525)	(74,247)	(34,278)
24121100 Accrued Retiree Medical	(6,550)	(118)	(6,432)
24121200 Accrued DCP - Contribution	(8,651)	11,028	(19,679)

Tennessee American Water Company
Trial Balance as of February 28, 2023

Description	February 2023 Balance	Activity	Prior Year Balance
24121400 Accrued Bank Fees	(14,932)	(1,493)	(13,440)
24121800 Accrued Severance	0	0	0
24122500 Refund Rates Under Bond	(0)	231,549	(231,549)
24122700 Accrued Employer 401k Match	(5,997)	8,145	(14,142)
24123000 Accrued Incentive Plan Cash	(594,720)	6,195	(600,915)
24126000 Miscellaneous Deposits Payable	0	0	0
24126200 Accrued Paving	(471)	23,172	(23,643)
24133000 Unclaimed Customer Credits	(91,637)	(72,058)	(19,579)
24133200 Unclaimed A/P Checks	(18,997)	(6,406)	(12,590)
24142006 WH PR - 401k Contributions	0	23,342	(23,342)
24142014 WH PR - ESPP	(16,784)	589	(17,373)
24150000 Operating Lease Current Liability	(939)	(21)	(918)
24161000 GRIR - Stock E (Materials)	(69,187)	45,467	(114,654)
24163000 GRIR - Stock C (Chemicals)	(114,818)	(27,229)	(87,589)
24164000 GRIR - Non-inventory	(209,707)	86,751	(296,459)
24171000 CFO Miscellaneous	(17)	0	(17)
24171006 CFO Customer Assistance Pledged	(282)	47	(329)
24172000 CFO Sales Tax	34,927,552	4,176,208	30,751,344
24172100 CFO Sales Tax - from CIS	(35,251,788)	(4,216,369)	(31,035,419)
24199100 Reg Liab-OCL taxable	0	231,110	(231,110)
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	545,105	(545,105)
24199700 Deferred Revenue - Current Portion	(297,735)	(6,207)	(291,528)
24199900 Other Current Liabilities - Non-Tax Sensitive	0	0	0
25299900 Advances for Construction - Current	(710,351)	(93,773)	(616,578)
Total: Other current liabilities	(3,264,652)	815,188	(4,079,841)
Total: Total Current Liabilities	(27,619,586)	(13,275,952)	(14,343,634)
25211000 Advances for Construction - NT Mains	(3,880,249)	(3,323,070)	(557,179)
25212000 Advances for Construction - NT Extension Deposits	(1,050,545)	108,411	(1,158,956)
25215000 Advances for Construction - NT Hydrants	(20,761)	18,842	(39,603)
25217000 Advances for Construction - NT WIP	(1,689,513)	1,066,010	(2,755,523)
25221000 Advances for Construction - Tax Mains	(1,485,329)	(74,905)	(1,410,424)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	0	(61,288)
25223000 Advances for Construction - Tax Services	(7,969)	13,807	(21,776)
25225000 Advances for Construction - Tax Hydrants	(38,135)	2,325	(40,460)
25227000 Advances for Construction - Tax WIP	30,904	145,777	(114,873)
25241000 Advances for Construction - Tax Mains - FIT	(1,031,195)	231,709	(1,262,904)
25243000 Advances for Construction - Tax Services - FIT	0	22	(22)
25245000 Advances for Construction - Tax Hydrants - FIT	(38,115)	2,325	(40,440)
25280000 Advances for Construction - Reclassed to Current	710,351	93,773	616,578
Total: Customer Advances for construction	(8,561,845)	(1,714,975)	(6,846,871)
25310000 Deferred FIT Liability – Property	153,901	171,569	(17,668)
25310100 Deferred FIT Liability - FAS109 Increment	(1,817,529)	(1,817,529)	0
25311000 Deferred FIT Liability – Non Property	(29,432,584)	(1,516,974)	(27,915,610)
25311100 Deferred FIT Liability - FAS109 Gross Up	(644,103)	(644,103)	0
Total: Federal Deferred income taxes long-term	(31,740,315)	(3,807,037)	(27,933,278)
25320000 Deferred SIT Liability - Property	(629,439)	(629,439)	0
25320100 Deferred SIT Liability - FAS109 Increment	6,389	6,389	0

Tennessee American Water Company
Trial Balance as of February 28, 2023

Description	February 2023 Balance	Activity	Prior Year Balance
25321000 Deferred SIT Liability – Non Property	(8,452,696)	(328,028)	(8,124,668)
Total: State Deferred income taxes long-term	(9,075,745)	(951,077)	(8,124,668)
Total: Deferred income taxes	(40,816,060)	(4,758,114)	(36,057,946)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(16,920)	3,970	(20,890)
25510300 Unamortized ITC - 10%	0	19,619	(19,619)
Total: Deferred investment tax credits	(16,920)	23,589	(40,509)
25700000 Reg Liab - Cost of Removal	18,904,438	2,061,569	16,842,870
25710000 Reg Liab - Cost of Removal RWIP	798,440	(76,482)	874,922
Total: Reg liability - cost of removal	19,702,879	1,985,087	17,717,791
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(10,093,021)	6,533,875	(16,626,896)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	0	217,441	(217,441)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	0	(255,487)	255,487
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	(696,743)	(696,743)	0
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	0	(118,477)	118,477
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(5,921)	(5,921)	(0)
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	0	7,393	(7,393)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	0	6,942	(6,942)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	0	0	0
25633000 Reg Liab - Pension Tracker	(2,306,017)	(671,558)	(1,634,459)
25636000 Reg Liab - Pandemic Costs	0	0	0
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(730,800)	84,600	(815,400)
25689900 Reg Liab - Other	1,236,295	894,319	341,976
Total: Other regulatory liabilities	(12,596,206)	5,996,383	(18,592,589)
Total: Regulatory liabilities	7,106,672	7,981,470	(874,798)
26212000 Accrued Pension Expense	2,791,852	934,920	1,856,932
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,791,852	934,920	1,856,932
26221000 Accrued OPEB	4,466,706	1,485,955	2,980,751
26221500 Accrued OPEB Medicare Subsidy	(153,564)	(8,354)	(145,210)
Total: Accrued postretirement benefit expense	4,313,142	1,477,600	2,835,541
26300000 Operating Lease Long-Term Liability	(908)	939	(1,846)
Total: Operating lease long-term liabilities	(908)	939	(1,846)
26580000 FIN 48 Reserve - Federal	(584,759)	(125,626)	(459,133)
26581000 FIN 48 Reserve - State	(156,523)	107,355	(263,878)
Total: Other tax liabilities	(741,282)	(18,271)	(723,011)
Total: Other Deferred Credits	(741,282)	(18,271)	(723,011)
Total: Regulatory and other long-term liabilities	(35,925,350)	3,927,159	(39,852,508)
27111000 CIAC-Non Taxable - Mains	(6,490,226)	(454,763)	(6,035,464)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	(41,812)	(8,386,584)
27113000 CIAC-Non Taxable - Services	(496,083)	(3,445)	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,372,962)	(49,082)	(1,323,879)
27116000 CIAC-Non Taxable - Other	(3,083,061)	0	(3,083,061)
27117000 CIAC-Non Taxable - WIP	(816,556)	(634,832)	(181,724)
27121000 CIAC-Taxable - Mains	(2,372,106)	(41,606)	(2,330,500)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)

Tennessee American Water Company
Trial Balance as of February 28, 2023

Description	February 2023 Balance	Activity	Prior Year Balance
27123000 CIAC-Taxable - Services	(2,852,723)	(248,463)	(2,604,260)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(314,152)	(21,787)	(292,366)
27127000 CIAC-Taxable - WIP	2,800	138,224	(135,424)
27141000 CIAC-Taxable - Mains FIT	(438,310)	(59,884)	(378,427)
27143000 CIAC-Taxable - Services FIT	(53,844)	(11,798)	(42,045)
27145000 CIAC-Taxable - Hydrants FIT	(39,333)	(1,258)	(38,075)
27206000 Accum Amort CIAC - Other	5,801,744	257,119	5,544,624
27210000 Accum Amort CIAC - Tax	1,190,054	76,549	1,113,506
Total: Contributions in aid of construction	(19,988,369)	(1,096,837)	(18,891,531)
Total: CAPITAL AND LIABILITIES	(327,403,370)	(18,910,357)	(308,493,014)
Total: BALANCE SHEET (Net Profit)	2,463,298	664,111	1,799,187

Tennessee American Water Company
Trial Balance as of March 31, 2023

Description	March 2023 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	896,090	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	756,575	65,297	691,278
10130420 UPIS - Struct & Imp - Pumping	7,549,465	395,400	7,154,065
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	231	18,583,775
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,442,935	218,051	4,224,884
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	88,376	767,741
10131120 UPIS - Pumping Equipment - Electric	5,233,010	56,041	5,176,969
10131130 UPIS - Pumping Equipment - Diesel	92,937	(26,359)	119,296
10131150 UPIS - Pumping Equipment - Other	2,161,492	951,668	1,209,824
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	0	2,620,198
10132010 UPIS - Water Treatment Equipment	28,906,542	1,328,432	27,578,110
10133000 UPIS - Distribution Reservoirs & Standpipes	14,515,208	(284,869)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	158,661,464	4,589,803	154,071,661
10133300 UPIS - Services	32,813,325	322,239	32,491,086
10133410 UPIS - Meters	19,358,570	1,756,788	17,601,783
10133420 UPIS - Meter Installations	22,832,619	1,501,069	21,331,551
10133500 UPIS - Hydrants	12,676,769	708,506	11,968,263
10133910 UPIS - Other P/E - Intangible	1,450,178	1,049,122	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	14,982,148	(1,747,692)	16,729,840
10134100 UPIS - Transportation Equipment	6,983,860	411,937	6,571,923
10134300 UPIS - Tools-Shop-Garage Equipment	930,448	142,806	787,642
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,308,946	219,114	2,089,832
10134700 UPIS - Misc Equipment	604,447	137,771	466,677
10134800 UPIS - Other Tangible Property	17,776	12,858	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10630360 CCNC Land & Land Rights - Adm & Gen	0	(896,090)	896,090
10630410 CCNC Struct & Imp - Source of Supply	2,866,211	2,852,886	13,325
10630420 CCNC Struct & Imp - Pumping	487,118	(728,530)	1,215,648
10630430 CCNC Struct & Imp - Water Treatment	14,262,145	(14,795)	14,276,940
10630440 CCNC Struct & Imp - Transmission & Distribution	0	(106,686)	106,686
10630450 CCNC Struct & Imp - Admin & General	754,813	(141,037)	895,850
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	0	1,349,045
10631000 CCNC Power Generation Equipment	0	(88,376)	88,376
10631120 CCNC Pumping Equipment - Electric	85,985	8,403	77,582
10631150 CCNC Pumping Equipment - Other	4,744,558	(164,272)	4,908,830
10631152 CCNC Pumping Equipment - Source of Supply	48,818	48,818	0
10632010 CCNC - Water Treatment Equipment - Non-Media	1,951,662	(99,106)	2,050,769

Tennessee American Water Company
Trial Balance as of March 31, 2023

Description	March 2023 Balance	Activity	Prior Year Balance
10633000 CCNC - Distribution Reservoirs & Standpipes	5,580,134	1,803,107	3,777,027
10633100 CCNC - Transmssn & Distr Mains Not Classified	27,407,900	6,835,406	20,572,494
10633300 CCNC Services	568,583	301,846	266,737
10633410 CCNC Meters	4,888,977	1,097,106	3,791,872
10633420 CCNC Meter Installations	1,974,719	528,835	1,445,884
10633500 CCNC Hydrants	1,000,258	(84,617)	1,084,875
10633910 CCNC Other P/E Intangible	130,284	(1,049,122)	1,179,406
10634010 CCNC Office Furniture & Equipment	5,376,044	792,264	4,583,780
10634100 CCNC Transportation Equipment Not Classified	2,620,893	545,102	2,075,790
10634300 CCNC Tools-Shop-Garage Equipment	116,291	(3,809)	120,100
10634400 CCNC Laboratory Equipment	7,804	7,804	0
10634600 CCNC Communication Equipment	268,862	130,794	138,068
10634700 CCNC Misc Equipment	332,938	282,297	50,641
10634800 CCNC Other Tangible Property	2,963	(12,858)	15,821
Total: Utility plant in service	443,239,250	24,638,049	418,601,201
10700000 CWIP	7,981,338	3,150,003	4,831,335
10780110 CWIP - Eng Clearing Dist Overhead	224,623	(191,265)	415,888
10780120 CWIP - Eng Clearing Eng Overhead	491	(1,743)	2,233
10780160 CWIP - Suspended CWIP Reserve	(58,939)	(36,114)	(22,825)
Total: Construction work in progress	8,147,512	2,920,881	5,226,631
10801000 Accum Depreciation - Utility Plant in Service	(176,913,832)	(11,352,765)	(165,561,067)
10802000 Accum Depreciation - Salvage/Scrap	(4,788,920)	(43,816)	(4,745,104)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	51,807,580	4,470,748	47,336,832
10810000 Accum Depreciation - Reg Asset	(35,333)	(1,116)	(34,217)
Total: Accumulated depreciation/amortization	(129,940,364)	(6,926,949)	(123,013,415)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	317,696,819	20,631,982	297,064,838
Total: Total Property Plant & Equipment	317,696,819	20,631,982	297,064,838
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	0	(130)	130
13140103 PNC AWCC-Accounts Payable - Outbound Check	(76,594)	246,563	(323,157)
13140303 PNC AWCC-Customer Refund - Outbound Check	(86,260)	148,523	(234,783)
13162600 US Bank TN - Main	247,815	80,803	167,011
13162608 US Bank TN - Customer Lockbox	0	(480)	480
13162609 US Bank TN - Credit Card and E-Checks	83,635	(30,552)	114,186
13162610 US Bank TN - Firstech Collections	383	(208)	591
13162611 US Bank TN - FiServ (aka CheckFree)	2,694	(1,212)	3,906
13162612 US Bank TN - Penn Credit	194	194	0
13162613 US Bank TN - E-Return - US Bank	(62)	(193)	131
13162614 US Bank TN -Credit Card & Echeck E-Returns	(227)	6	(233)
13162616 US Bank TN - NSF Return Payments	0	(98)	98
13199004 Cash Clearing - MI's	0	681	(681)
Total: Cash and cash equivalents	173,578	443,897	(270,319)
14100000 A/R - Customer - CIS Reconciliation	4,523,554	1,255,276	3,268,277
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	495,628	92,099	403,529

Tennessee American Water Company
Trial Balance as of March 31, 2023

Description	March 2023 Balance	Activity	Prior Year Balance
14100998 A/R - Customer - Payment Clarification	0	269	(269)
Total: Utility customer accounts receivable	5,019,182	1,347,644	3,671,537
14510000 A/R Assoc Cos - Miscellaneous	(45,438)	238,338	(283,775)
14510041 AR Associated Cos - AWI IOTG	153,238	(7,069)	160,307
14510100 A/R Assoc Cos - Reconciliation Account	63,258	(508,100)	571,358
14511001 A/R Assoc Cos - Service Company Bill	79,742	(78,227)	157,969
Total: Receivable from affiliated companies	250,800	(355,058)	605,858
14610000 Misc A/R - Reconciliation Account	709,322	159,514	549,808
14611000 Misc A/R - Manual	1,467	27	1,440
14611500 Misc A/R - Medicare Subsidy	63,573	(80)	63,654
14613000 Misc A/R - Employees	11	39	(28)
Total: Other receivables, net	774,373	159,499	614,874
14300000 Allowance for Uncollectible Accounts	(365,749)	35,074	(400,823)
14620000 Misc Rec - Allow for Uncollectible Accts	(34,507)	(12,789)	(21,718)
Total: Allowance for uncollectible accounts	(400,257)	22,285	(422,542)
Total: Accounts receivable, net	5,644,098	1,174,369	4,469,728
14400000 Unbilled Utility Revenue	2,561,088	158,703	2,402,384
Total: Unbilled revenues	2,561,088	158,703	2,402,384
15110000 Inventory - Plant Material	1,859,629	782,901	1,076,728
15130000 Inventory - Chemicals	324,996	158,450	166,546
15140000 Inventory - Other Materials & Supplies	34,732	24,640	10,092
Total: Materials and supplies	2,219,357	965,992	1,253,365
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	237,073	46,710	190,363
16520000 Prepaid Insurance	330,629	26,889	303,740
16530000 Prepaid PUC/PSC Assessment	184,926	2,076	182,850
16550010 Prepaid Other - Global	89,956	76,078	13,878
16611000 Reg Asset-OCA tax	182,499	11,687	170,812
16612000 Reg Asset-OCA non tax	0	0	0
Total: Other current assets	1,040,083	163,440	876,643
Total: Total Current Assets	11,638,204	2,906,402	8,731,802
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	0	(83,985)	83,985
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	0	(1,791,386)	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	235,333	232,212	3,121
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	0	(145,733)	145,733
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	76,307	75,296	1,012
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	0	(2,622,468)	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	0	703,889	(703,889)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	(311,641)	3,632,175	(3,943,816)
Total: Reg asset - income tax recovery	0	0	0
18661000 Reg Asset - Unamortized Debt Exp	7,732	(2,262)	9,994
18661500 Reg Asset - Unamortized Debt Exp Interco	1,219,747	(34,968)	1,254,715
Total: Debt and preferred stock expense	1,227,478	(37,230)	1,264,709
18680000 Reg Asset - Cost of Removal	19,006,660	2,138,818	16,867,842
18680100 Reg Asset - Cost of Removal - RWIP	1,198,147	221,661	976,486
18680162 Reg Asset- Closing Costs	7,750	(1,000)	8,750
18680218 Regulatory Asset - "Make-Whole Premium"	151,840	(28,032)	179,873

Tennessee American Water Company
Trial Balance as of March 31, 2023

Description	March 2023 Balance	Activity	Prior Year Balance
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18689900 Reg Asset - Other	1,355,774	963,422	392,353
Total: Other regulatory assets	21,753,050	3,294,868	18,458,182
Total: Regulatory assets	22,980,528	3,257,638	19,722,890
18750000 LT Asset - Operating Lease Right-Of-Use Assets	1,769	(919)	2,688
Total: Operating lease right-of-use assets	1,769	(919)	2,688
18715700 LT Asset - Unamort Debt In - Revolver	97,230	50,118	47,112
Total: Other long-term assets	97,230	50,118	47,112
Total: Total Regulatory and other long-term assets	23,079,527	3,306,837	19,772,690
Total: ASSETS	352,414,550	26,845,220	325,569,330
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(86,777,482)	(11,083,281)	(75,694,201)
Total: Paid-in capital	(86,777,482)	(11,083,281)	(75,694,201)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(47,191,911)	(3,360,477)	(43,831,434)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(46,700,943)	(3,360,477)	(43,340,466)
Total: Total Stockholders' equity	(147,232,660)	(14,443,757)	(132,788,903)
Total: Total Equity	(147,232,660)	(14,443,757)	(132,788,903)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	319,909	(3,121)	323,030
22115000 Bonds - Interco	(91,280,321)	6,000,000	(97,280,321)
Total: Long-term debt	(96,660,412)	5,996,879	(102,657,291)
Total: Total Long-term debt	(96,660,412)	5,996,879	(102,657,291)
Total: Total Capitalization	(243,893,072)	(8,446,878)	(235,446,193)
23121000 In-House Cash Center Bank	(8,596,473)	(4,138,330)	(4,458,143)
23121001 IHC Clearing - Outgoing Payment	(78,022)	(61,297)	(16,725)
Total: In-House Cash Center	(8,674,495)	(4,199,626)	(4,474,869)
Total: Short-term debt	(8,674,495)	(4,199,626)	(4,474,869)
22215000 Current Portion LTD - Interco	(11,000,000)	(11,000,000)	0
Total: Current portion long-term debt	(11,000,000)	(11,000,000)	0
23410000 A/P - Reconciliation Account	(1,308,931)	94,493	(1,403,425)
23410100 A/P Intercompany - Reconciliation Account	(208,875)	173,419	(382,294)
23411001 PCard Distributed-Clearing for Mapped Transactions	(7,181)	291	(7,472)
23430000 A/P - Miscellaneous	(39,603)	(2,451)	(37,152)
23430600 A/P - Workbasket Accrual	(179,559)	(38,731)	(140,828)
23430700 A/P - Pcard Accrual	(21,616)	(4,314)	(17,302)
23431000 A/P - Misc Global	(54,246)	(115,296)	61,050
23435000 A/P - Project Cost Accrual	(3,381,419)	(1,352,725)	(2,028,694)
23436000 A/P-GRIR Capital Services	98,537	288,346	(189,809)
Total: Accounts payable external	(5,102,895)	(956,969)	(4,145,926)
23510000 A/P Associated Companies	45,871	(237,504)	283,375
23520000 A/P Associated Companies - Service Co Bill	803,568	(50,602)	854,170
23520001 A/P Associated Companies - Service Co Bill	(1,077,057)	249,917	(1,326,974)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	0	(9)
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	(36)	74

Tennessee American Water Company
Trial Balance as of March 31, 2023

Description	March 2023 Balance	Activity	Prior Year Balance
23540100 CFO - SLPP Receivable Interco	(65)	0	(65)
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	(38)	64
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	0	(23)	23
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	0	(126)	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	0	(259)
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	0	(45)	45
Total: Accounts payable associated companies	(227,886)	(38,458)	(189,428)
Total: Accounts payable	(5,330,781)	(995,426)	(4,335,355)
23621000 Accrued FIT - Current Year	(106,836)	1,089,950	(1,196,786)
23622000 Accrued FIT - Prior Years	656,394	596,762	59,632
Total: Accrued federal income tax	549,559	1,686,712	(1,137,154)
23631000 Accrued SIT - Current Year	(173,815)	(286,710)	112,895
23632000 Accrued SIT - Prior Years	871,059	534,413	336,646
Total: Accrued state income tax	697,244	247,703	449,541
23652000 Accrued Tax - FUTA	(21)	(21)	0
23652100 Accrued Tax - FICA	(32,179)	(3,714)	(28,465)
23653000 Accrued Tax - Property Tax	(1,078,502)	(155,224)	(923,277)
23654000 Accrued Tax - Use Tax	(2,465)	1,218	(3,683)
23654110 Accrued Tax - Franchise Tax - Income Tax	(960,022)	(44,923)	(915,099)
Total: Other accrued taxes	(2,073,189)	(202,664)	(1,870,525)
Total: Taxes accrued, including income taxes	(826,387)	1,731,750	(2,558,137)
23720000 Interest Accrued - LTD	(37,240)	0	(37,240)
23730000 Interest Accrued - LTD Interco	(894,223)	(74,167)	(820,057)
Total: Interest accrued	(931,463)	(74,167)	(857,297)
24120000 Accrued Vacation Pay	(182,499)	(11,687)	(170,812)
24120200 Accrued Power	(174,061)	(8,105)	(165,956)
24120300 Accrued Legal	(82,100)	(66,445)	(15,655)
24120600 Accrued Wages	(295,873)	(42,344)	(253,529)
24120699 Accrued Wages - Net Adjustments Clearing	(426)	2,174	(2,600)
24120700 Accrued Insurance	0	(7,948)	7,948
24121000 Accrued Waste Disposal	(25,608)	25,295	(50,903)
24121100 Accrued Retiree Medical	(7,350)	0	(7,350)
24121200 Accrued DCP - Contribution	(12,441)	(1,526)	(10,916)
24121400 Accrued Bank Fees	(14,577)	(5,296)	(9,281)
24122500 Refund Rates Under Bond	(0)	261,007	(261,008)
24122700 Accrued Employer 401k Match	(8,744)	(800)	(7,944)
24123000 Accrued Incentive Plan Cash	(135,943)	(5,494)	(130,450)
24126200 Accrued Paving	(471)	24,868	(25,339)
24133000 Unclaimed Customer Credits	(97,328)	(77,735)	(19,593)
24133200 Unclaimed A/P Checks	(14,047)	(1,456)	(12,590)
24142014 WH PR - ESPP	(5,470)	(517)	(4,952)
24150000 Operating Lease Current Liability	(940)	(21)	(919)
24161000 GRIR - Stock E (Materials)	(68,247)	75,316	(143,563)
24163000 GRIR - Stock C (Chemicals)	(124,538)	(45,643)	(78,895)
24164000 GRIR - Non-inventory	(268,610)	77,565	(346,174)
24171000 CFO Miscellaneous	(17)	0	(17)
24171006 CFO Customer Assistance Pledged	(327)	56	(383)

Tennessee American Water Company
Trial Balance as of March 31, 2023

Description	March 2023 Balance	Activity	Prior Year Balance
24172000 CFO Sales Tax	35,250,875	4,215,508	31,035,367
24172100 CFO Sales Tax - from CIS	(35,587,988)	(4,288,778)	(31,299,210)
24199100 Reg Liab-OCL taxable	0	231,110	(231,110)
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	454,254	(454,254)
24199700 Deferred Revenue - Current Portion	0	(0)	0
24199900 Other Current Liabilities - Non-Tax Sensitive	(495,628)	(92,099)	(403,529)
25299900 Advances for Construction - Current	(791,710)	(165,708)	(626,002)
Total: Other current liabilities	(3,144,070)	545,551	(3,689,621)
Total: Total Current Liabilities	(29,907,196)	(13,991,919)	(15,915,277)
25211000 Advances for Construction - NT Mains	(3,880,249)	(3,323,070)	(557,179)
25212000 Advances for Construction - NT Extension Deposits	(1,050,545)	108,411	(1,158,956)
25215000 Advances for Construction - NT Hydrants	(20,761)	18,842	(39,603)
25217000 Advances for Construction - NT WIP	(1,716,470)	1,437,881	(3,154,351)
25221000 Advances for Construction - Tax Mains	(1,471,422)	(60,998)	(1,410,424)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	0	(61,288)
25223000 Advances for Construction - Tax Services	(7,969)	13,807	(21,776)
25225000 Advances for Construction - Tax Hydrants	(36,590)	3,870	(40,460)
25227000 Advances for Construction - Tax WIP	209,937	324,810	(114,873)
25241000 Advances for Construction - Tax Mains - FIT	(1,017,288)	245,616	(1,262,904)
25243000 Advances for Construction - Tax Services - FIT	0	22	(22)
25245000 Advances for Construction - Tax Hydrants - FIT	(36,570)	3,870	(40,440)
25280000 Advances for Construction - Reclassed to Current	791,710	165,708	626,002
Total: Customer Advances for construction	(8,297,506)	(1,061,232)	(7,236,274)
25310000 Deferred FIT Liability – Property	(42,504,235)	(42,881,796)	377,562
25310100 Deferred FIT Liability - FAS109 Increment	7,822,977	8,222,163	(399,186)
25311000 Deferred FIT Liability – Non Property	675,102	28,629,000	(27,953,898)
25311100 Deferred FIT Liability - FAS109 Gross Up	2,757,262	2,899,565	(142,303)
Total: Federal Deferred income taxes long-term	(31,248,894)	(3,131,069)	(28,117,824)
25320000 Deferred SIT Liability - Property	(9,834,282)	(9,834,256)	(26)
25320100 Deferred SIT Liability - FAS109 Increment	(67,013)	(65,891)	(1,122)
25321000 Deferred SIT Liability – Non Property	(303,360)	7,786,347	(8,089,707)
Total: State Deferred income taxes long-term	(10,204,655)	(2,113,801)	(8,090,854)
Total: Deferred income taxes	(41,453,549)	(5,244,870)	(36,208,679)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(15,717)	4,925	(20,642)
25510300 Unamortized ITC - 10%	0	24,246	(24,246)
Total: Deferred investment tax credits	(15,717)	29,170	(44,887)
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(10,115,457)	6,433,302	(16,548,759)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	0	219,473	(219,473)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	0	(257,877)	257,877
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	(703,723)	(739,160)	35,437
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	0	(119,619)	119,619
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(5,499)	(8,249)	2,750
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	0	7,673	(7,673)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	0	10,982	(10,982)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	311,641	(3,632,175)	3,943,816
25633000 Reg Liab - Pension Tracker	(2,340,387)	(644,028)	(1,696,359)

Tennessee American Water Company
Trial Balance as of March 31, 2023

Description	March 2023 Balance	Activity	Prior Year Balance
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(730,800)	84,600	(815,400)
Total: Other regulatory liabilities	(13,584,225)	1,354,921	(14,939,146)
Total: Regulatory liabilities	(13,584,225)	1,354,921	(14,939,146)
26212000 Accrued Pension Expense	2,774,255	877,009	1,897,246
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,774,255	877,009	1,897,246
26221000 Accrued OPEB	4,533,331	1,152,951	3,380,380
26221500 Accrued OPEB Medicare Subsidy	(155,584)	(25,347)	(130,237)
Total: Accrued postretirement benefit expense	4,377,747	1,127,604	3,250,143
26300000 Operating Lease Long-Term Liability	(829)	940	(1,769)
Total: Operating lease long-term liabilities	(829)	940	(1,769)
26580000 FIN 48 Reserve - Federal	(589,228)	(108,085)	(481,143)
26581000 FIN 48 Reserve - State	(1,469)	286,307	(287,776)
Total: Other tax liabilities	(590,697)	178,222	(768,919)
Total: Other Deferred Credits	(590,697)	178,222	(768,919)
Total: Regulatory and other long-term liabilities	(56,790,522)	(2,738,235)	(54,052,287)
27111000 CIAC-Non Taxable - Mains	(6,490,226)	(454,763)	(6,035,464)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	(41,812)	(8,386,584)
27113000 CIAC-Non Taxable - Services	(496,083)	(3,445)	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,372,962)	(40,635)	(1,332,327)
27116000 CIAC-Non Taxable - Other	(3,083,061)	0	(3,083,061)
27117000 CIAC-Non Taxable - WIP	(834,262)	(621,698)	(212,564)
27121000 CIAC-Taxable - Mains	(2,372,106)	(56,181)	(2,315,925)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,863,887)	(259,627)	(2,604,260)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(314,152)	(21,787)	(292,366)
27127000 CIAC-Taxable - WIP	2,800	147,729	(144,929)
27141000 CIAC-Taxable - Mains FIT	(438,310)	(45,309)	(393,002)
27143000 CIAC-Taxable - Services FIT	(59,425)	(17,380)	(42,045)
27145000 CIAC-Taxable - Hydrants FIT	(39,333)	(1,258)	(38,075)
27206000 Accum Amort CIAC - Other	5,823,602	257,734	5,565,868
27210000 Accum Amort CIAC - Tax	1,196,385	76,298	1,120,086
Total: Contributions in aid of construction	(19,994,631)	(1,082,133)	(18,912,499)
Total: CAPITAL AND LIABILITIES	(350,585,421)	(26,259,165)	(324,326,256)
Total: BALANCE SHEET (Net Profit)	1,829,129	586,055	1,243,074

Tennessee American Water Company
Trial Balance as of April 30, 2023

Description	April 2023 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	896,090	1,765,791
10130410 UPIS - Struct & Imp - Source of Supply	753,021	57,195	695,826
10130420 UPIS - Struct & Imp - Pumping	7,549,465	388,997	7,160,469
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	(290)	18,584,297
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,442,935	36,993	4,405,941
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	88,376	767,741
10131120 UPIS - Pumping Equipment - Electric	5,233,010	(22,642)	5,255,651
10131130 UPIS - Pumping Equipment - Diesel	92,937	(26,359)	119,296
10131150 UPIS - Pumping Equipment - Other	2,161,077	661,242	1,499,834
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	0	2,620,198
10132010 UPIS - Water Treatment Equipment	28,906,542	707,948	28,198,594
10133000 UPIS - Distribution Reservoirs & Standpipes	14,515,208	(284,869)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	158,658,444	3,731,342	154,927,102
10133300 UPIS - Services	32,810,430	304,366	32,506,065
10133410 UPIS - Meters	19,573,087	1,972,722	17,600,365
10133420 UPIS - Meter Installations	22,929,446	1,597,457	21,331,989
10133500 UPIS - Hydrants	12,690,670	700,823	11,989,846
10133910 UPIS - Other P/E - Intangible	1,450,178	1,049,122	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	14,982,136	(2,626,858)	17,608,994
10134100 UPIS - Transportation Equipment	6,983,860	235,888	6,747,972
10134300 UPIS - Tools-Shop-Garage Equipment	930,448	116,578	813,870
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,308,946	214,192	2,094,755
10134700 UPIS - Misc Equipment	604,447	125,162	479,285
10134800 UPIS - Other Tangible Property	17,776	12,858	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10630360 CCNC Land & Land Rights - Adm & Gen	0	(896,090)	896,090
10630410 CCNC Struct & Imp - Source of Supply	3,062,996	3,054,236	8,759
10630420 CCNC Struct & Imp - Pumping	487,118	(722,160)	1,209,278
10630430 CCNC Struct & Imp - Water Treatment	14,262,145	(11,865)	14,274,010
10630450 CCNC Struct & Imp - Admin & General	754,813	41,730	713,083
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	0	1,349,045
10631000 CCNC Power Generation Equipment	0	(88,376)	88,376
10631120 CCNC Pumping Equipment - Electric	85,985	87,086	(1,100)
10631150 CCNC Pumping Equipment - Other	4,754,453	124,121	4,630,332
10631152 CCNC Pumping Equipment - Source of Supply	48,818	48,818	0
10632010 CCNC - Water Treatment Equipment - Non-Media	1,951,662	(47,965)	1,999,627
10633000 CCNC - Distribution Reservoirs & Standpipes	6,026,783	2,249,756	3,777,027

Tennessee American Water Company
Trial Balance as of April 30, 2023

Description	April 2023 Balance	Activity	Prior Year Balance
10633100 CCNC - Transmssn & Distr Mains Not Classified	28,134,433	8,060,380	20,074,053
10633300 CCNC Services	558,725	205,475	353,250
10633410 CCNC Meters	4,871,486	991,676	3,879,810
10633420 CCNC Meter Installations	1,967,416	394,969	1,572,446
10633500 CCNC Hydrants	979,893	(230,436)	1,210,329
10633910 CCNC Other P/E Intangible	130,284	(1,049,122)	1,179,406
10634010 CCNC Office Furniture & Equipment	5,588,835	1,891,739	3,697,096
10634100 CCNC Transportation Equipment Not Classified	2,693,673	793,932	1,899,741
10634300 CCNC Tools-Shop-Garage Equipment	116,291	(14,180)	130,471
10634400 CCNC Laboratory Equipment	7,804	7,804	0
10634600 CCNC Communication Equipment	269,212	143,874	125,338
10634700 CCNC Misc Equipment	332,938	294,905	38,033
10634800 CCNC Other Tangible Property	2,963	(12,858)	15,821
Total: Utility plant in service	445,165,364	25,253,784	419,911,580
10700000 CWIP	8,176,772	1,728,077	6,448,694
10780110 CWIP - Eng Clearing Dist Overhead	235,565	(167,382)	402,947
10780120 CWIP - Eng Clearing Eng Overhead	886	(3,494)	4,380
10780160 CWIP - Suspended CWIP Reserve	(58,939)	(36,114)	(22,825)
Total: Construction work in progress	8,354,283	1,521,087	6,833,197
10801000 Accum Depreciation - Utility Plant in Service	(177,886,581)	(11,402,745)	(166,483,837)
10802000 Accum Depreciation - Salvage/Scrap	(4,788,920)	(43,816)	(4,745,104)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	51,830,459	5,030,283	46,800,177
10810000 Accum Depreciation - Reg Asset	(35,426)	(1,116)	(34,310)
Total: Accumulated depreciation/amortization	(130,890,328)	(6,417,394)	(124,472,934)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	318,879,740	20,357,476	298,522,264
Total: Total Property Plant & Equipment	318,879,740	20,357,476	298,522,264
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	21	(804)	825
13140103 PNC AWCC-Accounts Payable - Outbound Check	(57,801)	117,453	(175,254)
13140303 PNC AWCC-Customer Refund - Outbound Check	(60,589)	(9,633)	(50,957)
13162600 US Bank TN - Main	196,042	75,747	120,295
13162609 US Bank TN - Credit Card and E-Checks	110,933	(21,288)	132,221
13162610 US Bank TN - Firstech Collections	884	443	441
13162611 US Bank TN - FiServ (aka CheckFree)	4,782	(601)	5,383
13162612 US Bank TN - Penn Credit	208	(316)	524
13162613 US Bank TN - E-Return - US Bank	0	(43,340)	43,340
13162614 US Bank TN -Credit Card & Echeck E-Returns	(499)	(263)	(236)
13162616 US Bank TN - NSF Return Payments	123	(25)	148
Total: Cash and cash equivalents	196,103	117,373	78,731
14100000 A/R - Customer - CIS Reconciliation	4,201,078	162,185	4,038,892
14100998 A/R - Customer - Payment Clarification	(7,703)	(7,703)	0
Total: Utility customer accounts receivable	4,193,374	154,482	4,038,892
14510041 AR Associated Cos - AWI IOTG	153,238	(7,069)	160,307
14510100 A/R Assoc Cos - Reconciliation Account	95,136	(114,211)	209,347

Tennessee American Water Company
Trial Balance as of April 30, 2023

Description	April 2023 Balance	Activity	Prior Year Balance
14511001 A/R Assoc Cos - Service Company Bill	49,991	(96,793)	146,784
Total: Receivable from affiliated companies	298,365	(218,073)	516,439
14610000 Misc A/R - Reconciliation Account	664,345	49,530	614,816
14611000 Misc A/R - Manual	1,471	37	1,434
14611500 Misc A/R - Medicare Subsidy	33,793	(6,576)	40,369
14613000 Misc A/R - Employees	(60)	(60)	0
Total: Other receivables, net	699,550	42,931	656,619
14300000 Allowance for Uncollectible Accounts	(383,177)	14,953	(398,131)
14620000 Misc Rec - Allow for Uncollectible Accts	(34,507)	(12,789)	(21,718)
Total: Allowance for uncollectible accounts	(417,685)	2,164	(419,849)
Total: Accounts receivable, net	4,773,605	(18,496)	4,792,101
14400000 Unbilled Utility Revenue	3,358,589	1,114,806	2,243,783
Total: Unbilled revenues	3,358,589	1,114,806	2,243,783
15110000 Inventory - Plant Material	1,833,381	769,821	1,063,560
15130000 Inventory - Chemicals	315,222	150,784	164,438
15140000 Inventory - Other Materials & Supplies	78,362	46,446	31,916
Total: Materials and supplies	2,226,964	967,050	1,259,914
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	158,049	28,410	129,639
16520000 Prepaid Insurance	409,395	62,614	346,782
16530000 Prepaid PUC/PSC Assessment	164,639	8,570	156,069
16550000 Prepaid Other	(54,907)	(28,687)	(26,219)
16550010 Prepaid Other - Global	84,769	68,382	16,387
Total: Other current assets	776,945	139,288	637,657
Total: Total Current Assets	11,332,206	2,320,021	9,012,185
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	0	(83,985)	83,985
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	0	(1,791,386)	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	241,667	237,065	4,602
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	0	(145,733)	145,733
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	78,361	76,870	1,491
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	0	(2,622,468)	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	0	703,889	(703,889)
Total: Reg asset - income tax recovery	320,028	(3,625,748)	3,945,776
18661000 Reg Asset - Unamortized Debt Exp	7,544	(2,262)	9,806
18661500 Reg Asset - Unamortized Debt Exp Interco	1,213,285	(35,315)	1,248,601
Total: Debt and preferred stock expense	1,220,829	(37,577)	1,258,407
18680101 Reg Asset - Deferred Vacation Pay	304,813	17,200	287,613
18680162 Reg Asset- Closing Costs	7,667	(1,000)	8,667
18680218 Regulatory Asset - "Make-Whole Premium"	149,504	(28,032)	177,537
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
Total: Other regulatory assets	494,862	(11,832)	506,694
Total: Regulatory assets	2,035,719	(3,675,157)	5,710,876
18750000 LT Asset - Operating Lease Right-Of-Use Assets	1,691	(921)	2,613
Total: Operating lease right-of-use assets	1,691	(921)	2,613
18715700 LT Asset - Unamort Debt In - Revolver	95,462	49,659	45,803
Total: Other long-term assets	95,462	49,659	45,803
Total: Total Regulatory and other long-term assets	2,132,872	(3,626,419)	5,759,292

Tennessee American Water Company
Trial Balance as of April 30, 2023

Description	April 2023 Balance	Activity	Prior Year Balance
Total: ASSETS	332,344,819	19,051,078	313,293,741
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(86,777,482)	(11,108,879)	(75,668,603)
Total: Paid-in capital	(86,777,482)	(11,108,879)	(75,668,603)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(47,191,911)	(3,360,477)	(43,831,434)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(46,700,943)	(3,360,477)	(43,340,466)
Total: Total Stockholders' equity	(147,232,660)	(14,469,356)	(132,763,304)
Total: Total Equity	(147,232,660)	(14,469,356)	(132,763,304)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	318,316	(3,252)	321,568
22115000 Bonds - Interco	(102,280,321)	(5,000,000)	(97,280,321)
Total: Long-term debt	(107,662,005)	(5,003,252)	(102,658,753)
Total: Total Long-term debt	(107,662,005)	(5,003,252)	(102,658,753)
Total: Total Capitalization	(254,894,665)	(19,472,608)	(235,422,057)
23121000 In-House Cash Center Bank	(8,938,128)	(3,551,566)	(5,386,562)
23121001 IHC Clearing - Outgoing Payment	1,453	(1,018)	2,471
Total: In-House Cash Center	(8,936,675)	(3,552,584)	(5,384,091)
Total: Short-term debt	(8,936,675)	(3,552,584)	(5,384,091)
23410000 A/P - Reconciliation Account	(1,708,094)	(363,393)	(1,344,701)
23410100 A/P Intercompany - Reconciliation Account	(326,653)	47,902	(374,555)
23411001 PCard Distributed-Clearing for Mapped Transactions	(7,695)	3,054	(10,749)
23430600 A/P - Workbasket Accrual	(145,463)	(11,024)	(134,439)
23430700 A/P - Pcard Accrual	(16,312)	2,901	(19,213)
23431000 A/P - Misc Global	(81,101)	(34,371)	(46,730)
23435000 A/P - Project Cost Accrual	(2,631,847)	(765,782)	(1,866,066)
23436000 A/P-GRIR Capital Services	100,938	178,808	(77,870)
Total: Accounts payable external	(4,816,228)	(941,904)	(3,874,324)
23510000 A/P Associated Companies	(2,923)	(1,182)	(1,741)
23520000 A/P Associated Companies - Service Co Bill	997,315	(171,690)	1,169,005
23520001 A/P Associated Companies - Service Co Bill	(893,027)	1,454	(894,482)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	0	(9)
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	(36)	74
23540100 CFO - SLPP Receivable Interco	(65)	0	(65)
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	(38)	64
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	0	(23)	23
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	0	(126)	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	0	(259)
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	0	(45)	45
Total: Accounts payable associated companies	101,096	(171,687)	272,782
Total: Accounts payable	(4,715,132)	(1,113,590)	(3,601,542)
23621000 Accrued FIT - Current Year	273,190	1,542,564	(1,269,374)
23622000 Accrued FIT - Prior Years	656,394	596,762	59,632
Total: Accrued federal income tax	929,584	2,139,326	(1,209,742)
23631000 Accrued SIT - Current Year	(233,071)	(326,407)	93,336

Tennessee American Water Company
Trial Balance as of April 30, 2023

Description	April 2023 Balance	Activity	Prior Year Balance
23632000 Accrued SIT - Prior Years	871,059	(15,587)	886,646
Total: Accrued state income tax	637,988	(341,994)	979,982
23652000 Accrued Tax - FUTA	(21)	(21)	0
23652100 Accrued Tax - FICA	(35,604)	(2,336)	(33,267)
23653000 Accrued Tax - Property Tax	(1,413,659)	(132,324)	(1,281,335)
23654000 Accrued Tax - Use Tax	(3,287)	1,800	(5,087)
23654110 Accrued Tax - Franchise Tax - Income Tax	(1,024,022)	(47,923)	(976,099)
Total: Other accrued taxes	(2,476,594)	(180,805)	(2,295,789)
Total: Taxes accrued, including income taxes	(909,021)	1,616,528	(2,525,549)
23720000 Interest Accrued - LTD	(74,480)	0	(74,480)
23730000 Interest Accrued - LTD Interco	(1,158,849)	(92,708)	(1,066,141)
Total: Interest accrued	(1,233,329)	(92,708)	(1,140,621)
24120000 Accrued Vacation Pay	(304,813)	(17,200)	(287,613)
24120200 Accrued Power	(157,578)	(6,282)	(151,296)
24120300 Accrued Legal	(135,807)	(117,161)	(18,646)
24120600 Accrued Wages	(301,068)	(27,790)	(273,279)
24120699 Accrued Wages - Net Adjustments Clearing	(639)	22,161	(22,800)
24120700 Accrued Insurance	0	(457)	457
24121000 Accrued Waste Disposal	(40,850)	5,469	(46,320)
24121100 Accrued Retiree Medical	(9,727)	(116)	(9,611)
24121200 Accrued DCP - Contribution	(12,969)	(865)	(12,105)
24121400 Accrued Bank Fees	(14,436)	1,064	(15,500)
24122500 Refund Rates Under Bond	(0)	433,236	(433,236)
24122700 Accrued Employer 401k Match	(9,065)	(419)	(8,646)
24123000 Accrued Incentive Plan Cash	(181,258)	(7,325)	(173,933)
24126200 Accrued Paving	(471)	(471)	0
24133000 Unclaimed Customer Credits	(127,860)	70,924	(198,784)
24133200 Unclaimed A/P Checks	(14,047)	(528)	(13,518)
24142014 WH PR - ESPP	(11,120)	(1,170)	(9,950)
24150000 Operating Lease Current Liability	(942)	(21)	(921)
24161000 GRIR - Stock E (Materials)	(37,721)	195,724	(233,445)
24163000 GRIR - Stock C (Chemicals)	(64,222)	(17,152)	(47,069)
24164000 GRIR - Non-inventory	(167,137)	235,940	(403,078)
24171000 CFO Miscellaneous	(17)	0	(17)
24171006 CFO Customer Assistance Pledged	(372)	65	(437)
24172000 CFO Sales Tax	35,587,450	4,288,347	31,299,103
24172100 CFO Sales Tax - from CIS	(35,935,925)	(4,268,065)	(31,667,860)
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	363,403	(363,403)
24199700 Deferred Revenue - Current Portion	(598,851)	(24,170)	(574,680)
25299900 Advances for Construction - Current	(791,710)	(165,708)	(626,002)
Total: Other current liabilities	(3,331,157)	961,433	(4,292,590)
Total: Total Current Liabilities	(19,125,315)	(2,180,921)	(16,944,394)
25211000 Advances for Construction - NT Mains	(4,201,041)	(3,643,477)	(557,564)
25212000 Advances for Construction - NT Extension Deposits	(1,044,874)	107,349	(1,152,223)
25215000 Advances for Construction - NT Hydrants	(13,301)	25,170	(38,470)
25217000 Advances for Construction - NT WIP	(1,507,461)	1,377,790	(2,885,251)
25221000 Advances for Construction - Tax Mains	(1,372,752)	369,471	(1,742,222)

Tennessee American Water Company
Trial Balance as of April 30, 2023

Description	April 2023 Balance	Activity	Prior Year Balance
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	0	(61,288)
25223000 Advances for Construction - Tax Services	(7,969)	103,305	(111,274)
25225000 Advances for Construction - Tax Hydrants	(30,292)	7,529	(37,821)
25227000 Advances for Construction - Tax WIP	0	(1,529)	1,529
25241000 Advances for Construction - Tax Mains - FIT	(918,618)	346,925	(1,265,543)
25243000 Advances for Construction - Tax Services - FIT	0	22	(22)
25245000 Advances for Construction - Tax Hydrants - FIT	(30,272)	7,529	(37,802)
25280000 Advances for Construction - Reclassed to Current	791,710	165,708	626,002
Total: Customer Advances for construction	(8,396,157)	(1,134,207)	(7,261,949)
25310000 Deferred FIT Liability – Property	(42,561,296)	(43,126,306)	565,010
25310100 Deferred FIT Liability - FAS109 Increment	7,797,044	8,385,554	(588,510)
25311000 Deferred FIT Liability – Non Property	675,441	28,842,605	(28,167,164)
25311100 Deferred FIT Liability - FAS109 Gross Up	2,747,993	2,957,787	(209,794)
Total: Federal Deferred income taxes long-term	(31,340,817)	(2,940,360)	(28,400,458)
25320000 Deferred SIT Liability - Property	(9,866,691)	(9,866,653)	(38)
25320100 Deferred SIT Liability - FAS109 Increment	(67,152)	(65,498)	(1,654)
25321000 Deferred SIT Liability – Non Property	(303,246)	7,887,421	(8,190,667)
Total: State Deferred income taxes long-term	(10,237,089)	(2,044,730)	(8,192,359)
Total: Deferred income taxes	(41,577,906)	(4,985,090)	(36,592,816)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(15,388)	4,759	(20,147)
25510300 Unamortized ITC - 10%	0	21,025	(21,025)
Total: Deferred investment tax credits	(15,388)	25,784	(41,172)
25700000 Reg Liab - Cost of Removal	19,285,487	2,462,617	16,822,870
25710000 Reg Liab - Cost of Removal RWIP	1,023,537	(195,694)	1,219,231
Total: Reg liability - cost of removal	20,309,023	2,266,923	18,042,101
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(10,089,019)	6,222,464	(16,311,483)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	0	219,473	(219,473)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	0	(257,877)	257,877
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	(703,324)	(755,567)	52,243
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	0	(119,619)	119,619
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(5,384)	(9,438)	4,054
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	0	7,673	(7,673)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	0	10,982	(10,982)
25632400 Reg Liab - Refund to Customers	0	(0)	0
25633000 Reg Liab - Pension Tracker	(2,370,319)	(612,060)	(1,758,259)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(730,800)	84,600	(815,400)
25689900 Reg Liab - Other	1,486,633	1,031,308	455,326
Total: Other regulatory liabilities	(12,412,212)	5,821,937	(18,234,149)
Total: Regulatory liabilities	7,896,812	8,088,860	(192,048)
26212000 Accrued Pension Expense	2,750,162	811,238	1,938,924
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,750,162	811,238	1,938,924
26221000 Accrued OPEB	4,599,956	1,117,732	3,482,224
26221500 Accrued OPEB Medicare Subsidy	(148,957)	(16,576)	(132,380)
Total: Accrued postretirement benefit expense	4,451,000	1,101,156	3,349,844
26300000 Operating Lease Long-Term Liability	(749)	942	(1,691)

Tennessee American Water Company
Trial Balance as of April 30, 2023

Description	April 2023 Balance	Activity	Prior Year Balance
Total: Operating lease long-term liabilities	(749)	942	(1,691)
26580000 FIN 48 Reserve - Federal	(589,228)	(178,094)	(411,134)
26581000 FIN 48 Reserve - State	(1,469)	258,297	(259,766)
Total: Other tax liabilities	(590,697)	80,202	(670,900)
Total: Other Deferred Credits	(590,697)	80,202	(670,900)
Total: Regulatory and other long-term liabilities	(35,482,924)	3,988,885	(39,471,810)
27111000 CIAC-Non Taxable - Mains	(6,534,484)	(500,025)	(6,034,459)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	(41,812)	(8,386,584)
27113000 CIAC-Non Taxable - Services	(496,083)	(3,445)	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,372,962)	(40,722)	(1,332,239)
27116000 CIAC-Non Taxable - Other	(3,083,061)	0	(3,083,061)
27117000 CIAC-Non Taxable - WIP	(782,454)	(577,086)	(205,368)
27121000 CIAC-Taxable - Mains	(2,372,106)	(56,181)	(2,315,925)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,872,529)	(252,382)	(2,620,147)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(314,152)	(21,787)	(292,366)
27127000 CIAC-Taxable - WIP	2,800	256,666	(253,866)
27141000 CIAC-Taxable - Mains FIT	(438,310)	(45,309)	(393,002)
27143000 CIAC-Taxable - Services FIT	(63,747)	(21,702)	(42,045)
27145000 CIAC-Taxable - Hydrants FIT	(39,333)	(1,258)	(38,075)
27206000 Accum Amort CIAC - Other	5,845,461	258,332	5,587,128
27210000 Accum Amort CIAC - Tax	1,202,730	76,064	1,126,666
Total: Contributions in aid of construction	(19,971,841)	(970,646)	(19,001,195)
Total: CAPITAL AND LIABILITIES	(329,474,746)	(18,635,290)	(310,839,456)
Total: BALANCE SHEET (Net Profit)	2,870,074	415,788	2,454,285

Tennessee American Water Company
Trial Balance as of May 31, 2023

Description	May 2023 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	0	2,661,881
10130410 UPIS - Struct & Imp - Source of Supply	753,021	57,195	695,826
10130420 UPIS - Struct & Imp - Pumping	7,638,572	282,366	7,356,206
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	(290)	18,584,297
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,442,935	36,993	4,405,941
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	0	856,116
10131120 UPIS - Pumping Equipment - Electric	6,031,910	776,259	5,255,651
10131130 UPIS - Pumping Equipment - Diesel	92,937	(26,359)	119,296
10131150 UPIS - Pumping Equipment - Other	3,054,879	1,555,631	1,499,248
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	0	2,620,198
10132010 UPIS - Water Treatment Equipment	28,906,542	715,579	28,190,964
10133000 UPIS - Distribution Reservoirs & Standpipes	14,515,208	(284,869)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	158,660,895	3,555,607	155,105,288
10133300 UPIS - Services	32,821,568	298,683	32,522,885
10133410 UPIS - Meters	19,598,901	1,994,581	17,604,320
10133420 UPIS - Meter Installations	22,931,894	1,593,477	21,338,416
10133500 UPIS - Hydrants	12,703,885	698,017	12,005,869
10133910 UPIS - Other P/E - Intangible	1,450,178	1,049,122	401,055
10133920 UPIS - Other P/E - Source of Supply	223,453	0	223,453
10134010 UPIS - Office Furniture & Equipment	15,312,983	(2,498,029)	17,811,012
10134100 UPIS - Transportation Equipment	6,983,860	182,032	6,801,829
10134300 UPIS - Tools-Shop-Garage Equipment	930,448	114,828	815,620
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,308,946	203,111	2,105,835
10134700 UPIS - Misc Equipment	630,758	153,427	477,331
10134800 UPIS - Other Tangible Property	17,776	12,858	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10630360 CCNC Land & Land Rights - Adm & Gen	0	0	0
10630410 CCNC Struct & Imp - Source of Supply	3,063,968	3,046,101	17,867
10630420 CCNC Struct & Imp - Pumping	487,030	(511,130)	998,159
10630430 CCNC Struct & Imp - Water Treatment	14,262,145	(11,767)	14,273,912
10630450 CCNC Struct & Imp - Admin & General	764,029	50,946	713,083
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	0	1,349,045
10631000 CCNC Power Generation Equipment	0	0	0
10631120 CCNC Pumping Equipment - Electric	85,302	88,034	(2,732)
10631150 CCNC Pumping Equipment - Other	2,982,970	(1,718,364)	4,701,334
10631152 CCNC Pumping Equipment - Source of Supply	48,818	48,818	0
10632010 CCNC - Water Treatment Equipment - Non-Media	1,951,662	(138,565)	2,090,227
10633000 CCNC - Distribution Reservoirs & Standpipes	6,030,190	2,247,629	3,782,561

Tennessee American Water Company
Trial Balance as of May 31, 2023

Description	May 2023 Balance	Activity	Prior Year Balance
10633100 CCNC - Transmssn & Distr Mains Not Classified	28,683,750	8,367,642	20,316,108
10633300 CCNC Services	677,992	273,925	404,066
10633410 CCNC Meters	4,941,215	915,425	4,025,790
10633420 CCNC Meter Installations	2,123,313	444,965	1,678,348
10633500 CCNC Hydrants	1,106,341	(74,720)	1,181,062
10633910 CCNC Other P/E Intangible	130,284	(1,049,122)	1,179,406
10634010 CCNC Office Furniture & Equipment	5,597,608	1,971,991	3,625,617
10634100 CCNC Transportation Equipment Not Classified	2,693,673	781,983	1,911,689
10634300 CCNC Tools-Shop-Garage Equipment	126,008	(8,409)	134,417
10634400 CCNC Laboratory Equipment	7,804	7,804	0
10634600 CCNC Communication Equipment	290,625	176,367	114,258
10634700 CCNC Misc Equipment	303,466	265,433	38,033
10634800 CCNC Other Tangible Property	2,963	(12,858)	15,821
Total: Utility plant in service	446,631,827	25,632,348	420,999,479
10700000 CWIP	8,845,923	1,335,483	7,510,440
10780110 CWIP - Eng Clearing Dist Overhead	214,765	(189,069)	403,834
10780120 CWIP - Eng Clearing Eng Overhead	1,118	(4,083)	5,201
10780160 CWIP - Suspended CWIP Reserve	(58,939)	(36,114)	(22,825)
Total: Construction work in progress	9,002,867	1,106,216	7,896,651
10801000 Accum Depreciation - Utility Plant in Service	(178,863,899)	(11,455,498)	(167,408,401)
10802000 Accum Depreciation - Salvage/Scrap	(4,788,920)	(43,816)	(4,745,104)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	51,857,399	5,041,357	46,816,042
10810000 Accum Depreciation - Reg Asset	(35,519)	(1,116)	(34,403)
Total: Accumulated depreciation/amortization	(131,840,799)	(6,459,074)	(125,381,725)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	320,044,317	20,279,490	299,764,826
Total: Total Property Plant & Equipment	320,044,317	20,279,490	299,764,826
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	0	(47)	47
13140103 PNC AWCC-Accounts Payable - Outbound Check	(84,177)	9,903	(94,080)
13140303 PNC AWCC-Customer Refund - Outbound Check	(62,636)	(11,291)	(51,344)
13162600 US Bank TN - Main	85,162	(338,458)	423,620
13162608 US Bank TN - Customer Lockbox	1,255	1,255	0
13162609 US Bank TN - Credit Card and E-Checks	84,454	29,585	54,869
13162610 US Bank TN - Firstech Collections	471	(435)	907
13162611 US Bank TN - FiServ (aka CheckFree)	1,957	(9,287)	11,244
13162612 US Bank TN - Penn Credit	0	0	0
13162613 US Bank TN - E-Return - US Bank	0	(200)	200
13162614 US Bank TN -Credit Card & Echeck E-Returns	(255)	(255)	0
13162616 US Bank TN - NSF Return Payments	254	254	0
13199004 Cash Clearing - MI's	(1,068)	(1,068)	0
13199005 Cash Clearing - ORCOM	(30)	(30)	0
Total: Cash and cash equivalents	27,387	(320,075)	347,462
14100000 A/R - Customer - CIS Reconciliation	4,330,337	577,059	3,753,278
14100998 A/R - Customer - Payment Clarification	(9,137)	(9,137)	0

Tennessee American Water Company
Trial Balance as of May 31, 2023

Description	May 2023 Balance	Activity	Prior Year Balance
Total: Utility customer accounts receivable	4,321,200	567,922	3,753,278
14510041 AR Associated Cos - AWI IOTG	153,238	(7,069)	160,307
14510100 A/R Assoc Cos - Reconciliation Account	75,644	(150,994)	226,638
14511001 A/R Assoc Cos - Service Company Bill	92,139	21,964	70,175
Total: Receivable from affiliated companies	321,021	(136,099)	457,120
14610000 Misc A/R - Reconciliation Account	566,200	(214,065)	780,265
14611000 Misc A/R - Manual	1,475	44	1,431
14611500 Misc A/R - Medicare Subsidy	35,813	(6,699)	42,512
14613000 Misc A/R - Employees	9	9	0
Total: Other receivables, net	603,498	(220,710)	824,208
14300000 Allowance for Uncollectible Accounts	(392,130)	19,259	(411,389)
14620000 Misc Rec - Allow for Uncollectible Accts	(34,507)	(12,789)	(21,718)
Total: Allowance for uncollectible accounts	(426,637)	6,470	(433,107)
Total: Accounts receivable, net	4,819,082	217,583	4,601,499
14400000 Unbilled Utility Revenue	3,074,892	428,072	2,646,820
Total: Unbilled revenues	3,074,892	428,072	2,646,820
15110000 Inventory - Plant Material	1,876,759	734,239	1,142,520
15130000 Inventory - Chemicals	323,314	130,332	192,982
15140000 Inventory - Other Materials & Supplies	161,169	122,800	38,369
Total: Materials and supplies	2,361,242	987,371	1,373,870
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	79,024	10,111	68,914
16520000 Prepaid Insurance	330,224	47,457	282,767
16530000 Prepaid PUC/PSC Assessment	142,014	5,454	136,560
16550000 Prepaid Other	(19,552)	(20,556)	1,004
16550010 Prepaid Other - Global	76,628	54,823	21,805
Total: Other current assets	623,338	97,288	526,050
Total: Total Current Assets	10,905,941	1,410,239	9,495,702
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	0	(83,985)	83,985
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	0	(1,791,386)	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	251,187	244,790	6,397
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	0	(145,733)	145,733
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	81,448	79,374	2,073
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	0	(2,622,468)	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	0	703,889	(703,889)
Total: Reg asset - income tax recovery	332,634	(3,615,518)	3,948,153
18661000 Reg Asset - Unamortized Debt Exp	7,356	(2,262)	9,618
18661500 Reg Asset - Unamortized Debt Exp Interco	1,206,824	(67,930)	1,274,754
Total: Debt and preferred stock expense	1,214,180	(70,191)	1,284,371
18680101 Reg Asset - Deferred Vacation Pay	304,813	17,200	287,613
18680162 Reg Asset- Closing Costs	7,583	(1,000)	8,583
18680218 Regulatory Asset - "Make-Whole Premium"	147,168	(28,032)	175,201
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
Total: Other regulatory assets	492,443	(11,832)	504,275
Total: Regulatory assets	2,039,257	(3,697,542)	5,736,799
18750000 LT Asset - Operating Lease Right-Of-Use Assets	1,614	(923)	2,537
Total: Operating lease right-of-use assets	1,614	(923)	2,537

Tennessee American Water Company
Trial Balance as of May 31, 2023

Description	May 2023 Balance	Activity	Prior Year Balance
18715700 LT Asset - Unamort Debt In - Revolver	93,694	49,200	44,494
Total: Other long-term assets	93,694	49,200	44,494
Total: Total Regulatory and other long-term assets	2,134,565	(3,649,265)	5,783,830
Total: ASSETS	333,084,822	18,040,464	315,044,358
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(86,780,040)	(11,108,834)	(75,671,206)
Total: Paid-in capital	(86,780,040)	(11,108,834)	(75,671,206)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(47,191,911)	(3,360,477)	(43,831,434)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(46,700,943)	(3,360,477)	(43,340,466)
Total: Total Stockholders' equity	(147,235,218)	(14,469,311)	(132,765,907)
Total: Total Equity	(147,235,218)	(14,469,311)	(132,765,907)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	316,723	(19,233)	335,956
22115000 Bonds - Interco	(102,280,321)	0	(102,280,321)
Total: Long-term debt	(107,663,598)	(19,233)	(107,644,365)
Total: Total Long-term debt	(107,663,598)	(19,233)	(107,644,365)
Total: Total Capitalization	(254,898,816)	(14,488,544)	(240,410,272)
23121000 In-House Cash Center Bank	(7,821,309)	(8,692,932)	871,624
23121001 IHC Clearing - Outgoing Payment	875	(19,711)	20,586
Total: In-House Cash Center	(7,820,434)	(8,712,643)	892,209
Total: Short-term debt	(7,820,434)	(8,712,643)	892,209
23410000 A/P - Reconciliation Account	(2,607,284)	(732,465)	(1,874,819)
23410100 A/P Intercompany - Reconciliation Account	(313,860)	3,718	(317,578)
23411001 PCard Distributed-Clearing for Mapped Transactions	(19,406)	(9,664)	(9,742)
23430600 A/P - Workbasket Accrual	(252,314)	(163,444)	(88,870)
23430700 A/P - Pcard Accrual	(18,104)	(4,239)	(13,865)
23431000 A/P - Misc Global	(67,912)	(15,574)	(52,338)
23435000 A/P - Project Cost Accrual	(1,721,431)	60,344	(1,781,775)
23436000 A/P-GRIR Capital Services	125,612	205,556	(79,944)
Total: Accounts payable external	(4,874,698)	(655,767)	(4,218,931)
23510000 A/P Associated Companies	(5,464)	(620)	(4,844)
23520000 A/P Associated Companies - Service Co Bill	843,036	95,339	747,697
23520001 A/P Associated Companies - Service Co Bill	(985,068)	2,949	(988,017)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	0	(9)
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	(36)	74
23540100 CFO - SLPP Receivable Interco	(65)	0	(65)
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	(38)	64
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	0	(23)	23
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	0	(126)	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	0	(259)
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	0	(45)	45
Total: Accounts payable associated companies	(147,764)	97,399	(245,163)
Total: Accounts payable	(5,022,462)	(558,368)	(4,464,095)
23621000 Accrued FIT - Current Year	60,500	1,529,023	(1,468,524)

Tennessee American Water Company
Trial Balance as of May 31, 2023

Description	May 2023 Balance	Activity	Prior Year Balance
23622000 Accrued FIT - Prior Years	656,394	596,762	59,632
Total: Accrued federal income tax	716,894	2,125,785	(1,408,892)
23631000 Accrued SIT - Current Year	(297,669)	(364,681)	67,012
23632000 Accrued SIT - Prior Years	871,059	(15,587)	886,646
Total: Accrued state income tax	573,390	(380,268)	953,657
23652000 Accrued Tax - FUTA	(21)	(21)	0
23652100 Accrued Tax - FICA	(46,518)	(4,475)	(42,043)
23653000 Accrued Tax - Property Tax	(1,748,851)	(197,201)	(1,551,650)
23654000 Accrued Tax - Use Tax	(3,367)	(4,388)	1,021
23654110 Accrued Tax - Franchise Tax - Income Tax	(1,088,022)	(50,923)	(1,037,099)
Total: Other accrued taxes	(2,886,780)	(257,008)	(2,629,772)
Total: Taxes accrued, including income taxes	(1,596,496)	1,488,510	(3,085,006)
23720000 Interest Accrued - LTD	(111,720)	0	(111,720)
23730000 Interest Accrued - LTD Interco	(1,428,225)	(95,181)	(1,333,045)
Total: Interest accrued	(1,539,945)	(95,181)	(1,444,765)
24120000 Accrued Vacation Pay	(304,813)	(17,200)	(287,613)
24120200 Accrued Power	(162,217)	14,439	(176,656)
24120300 Accrued Legal	(16,871)	1,412	(18,283)
24120600 Accrued Wages	(400,604)	(57,850)	(342,754)
24120699 Accrued Wages - Net Adjustments Clearing	(852)	798	(1,650)
24120700 Accrued Insurance	0	14,230	(14,230)
24121000 Accrued Waste Disposal	(28,150)	25,280	(53,430)
24121100 Accrued Retiree Medical	(12,520)	(517)	(12,003)
24121200 Accrued DCP - Contribution	(16,982)	(2,534)	(14,448)
24121400 Accrued Bank Fees	(14,400)	543	(14,944)
24122500 Refund Rates Under Bond	(0)	403,405	(403,405)
24122700 Accrued Employer 401k Match	(11,507)	(1,160)	(10,347)
24123000 Accrued Incentive Plan Cash	(226,572)	(9,156)	(217,416)
24126200 Accrued Paving	(471)	9,724	(10,195)
24133000 Unclaimed Customer Credits	(130,100)	72,370	(202,470)
24133200 Unclaimed A/P Checks	(14,047)	(528)	(13,518)
24142006 WH PR - 401k Contributions	(195)	(195)	0
24142014 WH PR - ESPP	(16,752)	(1,792)	(14,960)
24150000 Operating Lease Current Liability	(944)	(21)	(923)
24161000 GRIR - Stock E (Materials)	(16,229)	277,882	(294,111)
24163000 GRIR - Stock C (Chemicals)	(31,396)	66,067	(97,464)
24164000 GRIR - Non-inventory	(163,558)	174,171	(337,728)
24171000 CFO Miscellaneous	(17)	0	(17)
24171006 CFO Customer Assistance Pledged	(417)	74	(491)
24172000 CFO Sales Tax	35,935,672	4,267,916	31,667,756
24172100 CFO Sales Tax - from CIS	(36,286,300)	(4,307,869)	(31,978,431)
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	272,552	(272,552)
24199700 Deferred Revenue - Current Portion	(301,877)	(14,537)	(287,340)
25299900 Advances for Construction - Current	(791,710)	(165,708)	(626,002)
Total: Other current liabilities	(3,013,830)	1,021,796	(4,035,626)
Total: Total Current Liabilities	(18,993,167)	(6,855,886)	(12,137,281)
25211000 Advances for Construction - NT Mains	(4,264,836)	(3,707,272)	(557,564)

Tennessee American Water Company
Trial Balance as of May 31, 2023

Description	May 2023 Balance	Activity	Prior Year Balance
25212000 Advances for Construction - NT Extension Deposits	(1,044,874)	107,349	(1,152,223)
25215000 Advances for Construction - NT Hydrants	(13,301)	25,170	(38,470)
25217000 Advances for Construction - NT WIP	(1,443,666)	1,856,800	(3,300,466)
25221000 Advances for Construction - Tax Mains	(1,371,596)	364,482	(1,736,078)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	0	(61,288)
25223000 Advances for Construction - Tax Services	(7,969)	420	(8,389)
25225000 Advances for Construction - Tax Hydrants	(31,447)	12,518	(43,966)
25227000 Advances for Construction - Tax WIP	0	41,793	(41,793)
25241000 Advances for Construction - Tax Mains - FIT	(917,462)	341,936	(1,259,398)
25243000 Advances for Construction - Tax Services - FIT	0	22	(22)
25245000 Advances for Construction - Tax Hydrants - FIT	(31,427)	12,518	(43,946)
25280000 Advances for Construction - Reclassed to Current	791,710	165,708	626,002
Total: Customer Advances for construction	(8,396,157)	(778,556)	(7,617,601)
25310000 Deferred FIT Liability – Property	(42,647,061)	(43,439,398)	792,337
25310100 Deferred FIT Liability - FAS109 Increment	7,758,066	8,576,177	(818,112)
25311000 Deferred FIT Liability – Non Property	675,950	29,013,654	(28,337,703)
25311100 Deferred FIT Liability - FAS109 Gross Up	2,734,062	3,025,704	(291,643)
Total: Federal Deferred income taxes long-term	(31,478,984)	(2,823,863)	(28,655,121)
25320000 Deferred SIT Liability - Property	(9,915,404)	(9,915,352)	(52)
25320100 Deferred SIT Liability - FAS109 Increment	(67,360)	(65,060)	(2,300)
25321000 Deferred SIT Liability – Non Property	(303,074)	7,976,062	(8,279,136)
Total: State Deferred income taxes long-term	(10,285,838)	(2,004,350)	(8,281,488)
Total: Deferred income taxes	(41,764,822)	(4,828,213)	(36,936,609)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(14,894)	4,653	(19,548)
25510300 Unamortized ITC - 10%	0	17,119	(17,119)
Total: Deferred investment tax credits	(14,895)	21,772	(36,666)
25700000 Reg Liab - Cost of Removal	19,267,330	2,483,105	16,784,224
25710000 Reg Liab - Cost of Removal RWIP	1,325,020	(147,154)	1,472,174
Total: Reg liability - cost of removal	20,592,350	2,335,952	18,256,398
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(10,049,281)	5,974,446	(16,023,728)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	0	219,473	(219,473)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	0	(257,877)	257,877
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	(702,723)	(775,349)	72,625
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	0	(119,619)	119,619
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(5,210)	(10,846)	5,636
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	0	7,673	(7,673)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	0	10,982	(10,982)
25632400 Reg Liab - Refund to Customers	0	(0)	0
25633000 Reg Liab - Pension Tracker	(2,400,251)	(580,092)	(1,820,159)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(730,800)	84,600	(815,400)
25689900 Reg Liab - Other	1,582,793	1,123,342	459,450
Total: Other regulatory liabilities	(12,305,473)	5,676,733	(17,982,206)
Total: Regulatory liabilities	8,286,877	8,012,685	274,192
26212000 Accrued Pension Expense	2,887,919	766,665	2,121,254
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,887,919	766,665	2,121,254

Tennessee American Water Company
Trial Balance as of May 31, 2023

Description	May 2023 Balance	Activity	Prior Year Balance
26221000 Accrued OPEB	4,666,581	1,082,703	3,583,878
26221500 Accrued OPEB Medicare Subsidy	(150,977)	(16,453)	(134,523)
Total: Accrued postretirement benefit expense	4,515,605	1,066,250	3,449,355
26300000 Operating Lease Long-Term Liability	(670)	944	(1,614)
Total: Operating lease long-term liabilities	(670)	944	(1,614)
26580000 FIN 48 Reserve - Federal	(589,228)	(178,094)	(411,134)
26581000 FIN 48 Reserve - State	(1,469)	258,297	(259,766)
Total: Other tax liabilities	(590,697)	80,202	(670,900)
Total: Other Deferred Credits	(590,697)	80,202	(670,900)
Total: Regulatory and other long-term liabilities	(35,076,840)	4,341,749	(39,418,589)
27111000 CIAC-Non Taxable - Mains	(6,538,101)	(503,642)	(6,034,459)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	(41,812)	(8,386,584)
27113000 CIAC-Non Taxable - Services	(496,083)	(3,445)	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,374,526)	(42,287)	(1,332,239)
27116000 CIAC-Non Taxable - Other	(3,083,061)	0	(3,083,061)
27117000 CIAC-Non Taxable - WIP	(777,273)	(536,924)	(240,349)
27121000 CIAC-Taxable - Mains	(2,372,106)	(56,181)	(2,315,925)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,880,073)	(157,040)	(2,723,032)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(312,084)	(19,718)	(292,366)
27127000 CIAC-Taxable - WIP	0	268,599	(268,599)
27141000 CIAC-Taxable - Mains FIT	(438,310)	(45,309)	(393,002)
27143000 CIAC-Taxable - Services FIT	(67,519)	(25,473)	(42,045)
27145000 CIAC-Taxable - Hydrants FIT	(38,601)	(526)	(38,075)
27206000 Accum Amort CIAC - Other	5,867,365	258,978	5,608,387
27210000 Accum Amort CIAC - Tax	1,209,088	75,826	1,133,261
Total: Contributions in aid of construction	(19,954,894)	(828,954)	(19,125,940)
Total: CAPITAL AND LIABILITIES	(328,923,717)	(17,831,635)	(311,092,082)
Total: BALANCE SHEET (Net Profit)	4,161,105	208,829	3,952,276

Tennessee American Water Company
Trial Balance as of June 30, 2023

Description	June 2023 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	0	2,661,881
10130410 UPIS - Struct & Imp - Source of Supply	753,021	57,196	695,825
10130420 UPIS - Struct & Imp - Pumping	7,638,572	285,676	7,352,896
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	0	18,584,006
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,442,935	36,993	4,405,941
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	0	856,116
10131120 UPIS - Pumping Equipment - Electric	6,031,910	785,180	5,246,730
10131130 UPIS - Pumping Equipment - Diesel	92,937	(26,359)	119,296
10131150 UPIS - Pumping Equipment - Other	3,054,879	1,554,942	1,499,937
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	0	2,620,198
10132010 UPIS - Water Treatment Equipment	28,906,542	643,121	28,263,421
10133000 UPIS - Distribution Reservoirs & Standpipes	14,515,208	(284,869)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	159,930,633	3,786,550	156,144,084
10133300 UPIS - Services	33,571,518	937,756	32,633,761
10133410 UPIS - Meters	20,396,927	2,571,612	17,825,316
10133420 UPIS - Meter Installations	24,310,752	1,822,964	22,487,788
10133500 UPIS - Hydrants	13,312,961	927,992	12,384,969
10133910 UPIS - Other P/E - Intangible	1,450,178	1,049,122	401,055
10133920 UPIS - Other P/E - Source of Supply	222,149	(1,303)	223,453
10134010 UPIS - Office Furniture & Equipment	11,178,165	(6,713,385)	17,891,550
10134100 UPIS - Transportation Equipment	7,036,359	86,373	6,949,986
10134300 UPIS - Tools-Shop-Garage Equipment	893,504	126,730	766,774
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,344,402	238,567	2,105,835
10134700 UPIS - Misc Equipment	596,331	119,000	477,331
10134800 UPIS - Other Tangible Property	17,776	12,858	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10630360 CCNC Land & Land Rights - Adm & Gen	0	0	0
10630410 CCNC Struct & Imp - Source of Supply	3,200,961	3,171,195	29,766
10630420 CCNC Struct & Imp - Pumping	487,030	(67,743)	554,772
10630430 CCNC Struct & Imp - Water Treatment	14,262,145	255	14,261,890
10630450 CCNC Struct & Imp - Admin & General	902,587	189,504	713,083
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	0	1,349,045
10631000 CCNC Power Generation Equipment	0	0	0
10631120 CCNC Pumping Equipment - Electric	85,302	87,720	(2,418)
10631150 CCNC Pumping Equipment - Other	2,986,100	(1,646,078)	4,632,178
10631152 CCNC Pumping Equipment - Source of Supply	48,818	48,818	0
10632010 CCNC - Water Treatment Equipment - Non-Media	1,951,662	(58,998)	2,010,661
10633000 CCNC - Distribution Reservoirs & Standpipes	6,030,177	1,757,797	4,272,380
10633100 CCNC - Transmssn & Distr Mains Not Classified	29,446,934	9,313,386	20,133,549
10633300 CCNC Services	288,423	38,858	249,566
10633410 CCNC Meters	4,065,044	194,699	3,870,344
10633420 CCNC Meter Installations	789,133	15,658	773,476
10633500 CCNC Hydrants	576,398	(285,014)	861,412
10633910 CCNC Other P/E Intangible	130,284	(1,049,122)	1,179,406
10634010 CCNC Office Furniture & Equipment	5,683,140	1,918,060	3,765,080
10634100 CCNC Transportation Equipment Not Classified	2,799,871	987,066	1,812,806
10634300 CCNC Tools-Shop-Garage Equipment	126,008	(101,127)	227,135
10634400 CCNC Laboratory Equipment	7,804	7,804	0
10634600 CCNC Communication Equipment	306,694	192,436	114,258
10634700 CCNC Misc Equipment	368,916	318,728	50,188
10634800 CCNC Other Tangible Property	2,963	(12,858)	15,821
Total: Utility plant in service	445,503,175	23,037,755	422,465,420
10700000 CWIP	9,000,357	635,049	8,365,309
10780110 CWIP - Eng Clearing Dist Overhead	279,093	(231,303)	510,396
10780120 CWIP - Eng Clearing Eng Overhead	2,492	(3,321)	5,813
10780160 CWIP - Suspended CWIP Reserve	(58,939)	(36,114)	(22,825)
Total: Construction work in progress	9,223,003	364,311	8,858,692
10801000 Accum Depreciation - Utility Plant in Service	(179,844,068)	(11,508,226)	(168,335,842)
10802000 Accum Depreciation - Salvage/Scrap	(4,788,920)	(43,816)	(4,745,104)

Tennessee American Water Company
Trial Balance as of June 30, 2023

Description	June 2023 Balance	Activity	Prior Year Balance
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	56,063,713	9,121,664	46,942,049
10810000 Accum Depreciation - Reg Asset	(35,612)	(1,116)	(34,496)
Total: Accumulated depreciation/amortization	(128,614,747)	(2,431,494)	(126,183,253)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	322,361,853	20,970,572	301,391,280
Total: Total Property Plant & Equipment	322,361,853	20,970,572	301,391,280
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	571	571	0
13140103 PNC AWCC-Accounts Payable - Outbound Check	(71,544)	33,160	(104,704)
13140303 PNC AWCC-Customer Refund - Outbound Check	(136,350)	(84,508)	(51,842)
13162600 US Bank TN - Main	264,947	88,136	176,812
13162608 US Bank TN - Customer Lockbox	0	0	0
13162609 US Bank TN - Credit Card and E-Checks	152,438	49,663	102,774
13162610 US Bank TN - Firstech Collections	925	519	406
13162611 US Bank TN - FiServ (aka CheckFree)	5,736	3,062	2,674
13162612 US Bank TN - Penn Credit	0	0	0
13162613 US Bank TN - E-Return - US Bank	0	0	0
13162614 US Bank TN -Credit Card & Echeck E-Returns	(394)	(154)	(240)
13162616 US Bank TN - NSF Return Payments	180	(121)	302
13199004 Cash Clearing - MI's	(681)	(229)	(451)
13199005 Cash Clearing - ORCOM	0	0	0
Total: Cash and cash equivalents	217,828	90,098	127,730
14100000 A/R - Customer - CIS Reconciliation	4,652,049	356,574	4,295,475
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	634,353	216,990	417,363
14100998 A/R - Customer - Payment Clarification	(38,151)	(38,151)	0
Total: Utility customer accounts receivable	5,248,251	535,413	4,712,838
14510000 A/R Assoc Cos - Miscellaneous	(41,176)	154,590	(195,765)
14510041 AR Associated Cos - AWI IOTG	153,238	(7,069)	160,307
14510100 A/R Assoc Cos - Reconciliation Account	118,066	(157,689)	275,755
14511001 A/R Assoc Cos - Service Company Bill	88,289	(5,306)	93,595
Total: Receivable from affiliated companies	318,417	(15,475)	333,892
14610000 Misc A/R - Reconciliation Account	461,510	(91,527)	553,037
14611000 Misc A/R - Manual	1,470	37	1,433
14611500 Misc A/R - Medicare Subsidy	37,833	(6,822)	44,655
14613000 Misc A/R - Employees	0	0	0
Total: Other receivables, net	500,813	(98,312)	599,125
14300000 Allowance for Uncollectible Accounts	(408,703)	7,761	(416,464)
14620000 Misc Rec - Allow for Uncollectible Accts	(34,105)	(6,682)	(27,423)
Total: Allowance for uncollectible accounts	(442,807)	1,079	(443,886)
Total: Accounts receivable, net	5,624,673	422,704	5,201,969
14400000 Unbilled Utility Revenue	2,968,942	171,982	2,796,960
Total: Unbilled revenues	2,968,942	171,982	2,796,960
15110000 Inventory - Plant Material	1,922,933	884,980	1,037,954
15130000 Inventory - Chemicals	326,608	127,699	198,908
15140000 Inventory - Other Materials & Supplies	120,025	30,288	89,737
Total: Materials and supplies	2,369,566	1,042,967	1,326,599
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	0	(8,189)	8,189
16520000 Prepaid Insurance	233,472	15,819	217,653
16530000 Prepaid PUC/PSC Assessment	121,726	4,674	117,052
16550000 Prepaid Other	26,093	(38,911)	65,004
16550010 Prepaid Other - Global	67,118	36,184	30,934
16611000 Reg Asset-OCA tax	176,172	176,172	0
16612000 Reg Asset-OCA non tax	0	(153,970)	153,970
Total: Other current assets	639,582	31,780	607,802
Total: Total Current Assets	11,820,591	1,759,532	10,061,060
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	0	(83,985)	83,985
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	0	(1,791,386)	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	246,318	246,182	135
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	0	(145,733)	145,733
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	79,869	79,825	44
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	0	(2,622,468)	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	0	703,889	(703,889)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	(326,187)	(326,187)	0
Total: Reg asset - income tax recovery	0	(3,939,862)	3,939,862
18661000 Reg Asset - Unamortized Debt Exp	7,168	(2,261)	9,430

Tennessee American Water Company
Trial Balance as of June 30, 2023

Description	June 2023 Balance	Activity	Prior Year Balance
18661500 Reg Asset - Unamortized Debt Exp Interco	1,200,363	(77,714)	1,278,076
Total: Debt and preferred stock expense	1,207,531	(79,975)	1,287,506
18680101 Reg Asset - Deferred Vacation Pay	0	0	0
18680000 Reg Asset - Cost of Removal	19,337,617	1,735,898	17,601,718
18680100 Reg Asset - Cost of Removal - RWIP	1,618,242	293,612	1,324,630
18680162 Reg Asset- Closing Costs	7,500	(1,000)	8,500
18680218 Regulatory Asset - "Make-Whole Premium"	144,832	(28,032)	172,865
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18689900 Reg Asset - Other	1,661,796	1,122,584	539,211
Total: Other regulatory assets	22,802,864	3,123,063	19,679,802
Total: Regulatory assets	24,010,396	(896,774)	24,907,170
18750000 LT Asset - Operating Lease Right-Of-Use Assets	1,536	(925)	2,461
Total: Operating lease right-of-use assets	1,536	(925)	2,461
18715700 LT Asset - Unamort Debt In - Revolver	91,926	48,741	43,186
Total: Other long-term assets	91,926	48,741	43,186
Total: Total Regulatory and other long-term assets	24,103,858	(848,958)	24,952,816
Total: ASSETS	358,286,301	21,881,146	336,405,156
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(86,809,406)	(11,119,972)	(75,689,433)
Total: Paid-in capital	(86,809,406)	(11,119,972)	(75,689,433)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(47,191,911)	(3,360,477)	(43,831,434)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(46,700,943)	(3,360,477)	(43,340,466)
Total: Total Stockholders' equity	(147,264,584)	(14,480,449)	(132,784,135)
Total: Total Equity	(147,264,584)	(14,480,449)	(132,784,135)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	315,129	(19,120)	334,249
22115000 Bonds - Interco	(91,280,321)	11,000,000	(102,280,321)
Total: Long-term debt	(96,665,192)	10,980,880	(107,646,072)
Total: Total Long-term debt	(96,665,192)	10,980,880	(107,646,072)
Total: Total Capitalization	(243,929,775)	(3,499,569)	(240,430,207)
23121000 In-House Cash Center Bank	(11,315,320)	(9,364,128)	(1,951,192)
23121001 IHC Clearing - Outgoing Payment	(34,070)	84,148	(118,218)
Total: In-House Cash Center	(11,349,389)	(9,279,979)	(2,069,410)
Total: Short-term debt	(11,349,389)	(9,279,979)	(2,069,410)
22215000 Current Portion LTD - Interco	(11,000,000)	(11,000,000)	0
Total: Current portion long-term debt	(11,000,000)	(11,000,000)	0
23410000 A/P - Reconciliation Account	(2,703,996)	(980,045)	(1,723,951)
23410100 A/P Intercompany - Reconciliation Account	(307,767)	27,290	(335,057)
23411001 PCard Distributed-Clearing for Mapped Transactions	(6,577)	7,513	(14,090)
23430000 A/P - Miscellaneous	(60,949)	(27,823)	(33,127)
23430600 A/P - Workbasket Accrual	(186,077)	4,521	(190,597)
23430700 A/P - Pcard Accrual	(16,776)	(9,428)	(7,348)
23431000 A/P - Misc Global	(142,373)	(119,667)	(22,706)
23435000 A/P - Project Cost Accrual	(2,048,536)	98,773	(2,147,309)
23436000 A/P-GRIR Capital Services	103,048	308,631	(205,582)
Total: Accounts payable external	(5,370,003)	(690,235)	(4,679,768)
23510000 A/P Associated Companies	40,444	(156,256)	196,700
23520000 A/P Associated Companies - Service Co Bill	892,929	(24,912)	917,842
23520001 A/P Associated Companies - Service Co Bill	(1,181,012)	(92,924)	(1,088,088)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	0	(9)
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	(36)	74
23540100 CFO - SLPP Receivable Interco	(65)	0	(65)
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	(38)	64
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	0	(23)	23
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	0	(126)	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	0	(259)
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	0	(45)	45
Total: Accounts payable associated companies	(247,908)	(274,361)	26,454
Total: Accounts payable	(5,617,911)	(964,596)	(4,653,314)
23621000 Accrued FIT - Current Year	368,204	1,777,819	(1,409,615)
23622000 Accrued FIT - Prior Years	656,394	596,762	59,632
Total: Accrued federal income tax	1,024,599	2,374,581	(1,349,982)
23631000 Accrued SIT - Current Year	(58,331)	(88,159)	29,827
23632000 Accrued SIT - Prior Years	871,059	(15,587)	886,646
Total: Accrued state income tax	812,727	(103,746)	916,473

Tennessee American Water Company
Trial Balance as of June 30, 2023

Description	June 2023 Balance	Activity	Prior Year Balance
23652000 Accrued Tax - FUTA	(21)	(21)	0
23652100 Accrued Tax - FICA	(32,371)	19,764	(52,135)
23653000 Accrued Tax - Property Tax	(2,083,596)	(232,383)	(1,851,213)
23654000 Accrued Tax - Use Tax	(2,167)	422	(2,589)
23654110 Accrued Tax - Franchise Tax - Income Tax	(1,152,022)	(53,923)	(1,098,099)
Total: Other accrued taxes	(3,270,177)	(266,141)	(3,004,036)
Total: Taxes accrued, including income taxes	(1,432,851)	2,004,694	(3,437,545)
23720000 Interest Accrued - LTD	(148,960)	0	(148,960)
23730000 Interest Accrued - LTD Interco	(858,351)	16,069	(874,421)
Total: Interest accrued	(1,007,311)	16,069	(1,023,381)
24120000 Accrued Vacation Pay	(176,172)	(22,202)	(153,970)
24120200 Accrued Power	(169,771)	24,365	(194,135)
24120300 Accrued Legal	(8,791)	14,285	(23,076)
24120600 Accrued Wages	(155,576)	284,244	(439,821)
24120699 Accrued Wages - Net Adjustments Clearing	(1,065)	585	(1,650)
24120700 Accrued Insurance	0	29,583	(29,583)
24121000 Accrued Waste Disposal	(60,605)	(25,393)	(35,212)
24121100 Accrued Retiree Medical	(15,300)	(900)	(14,400)
24121200 Accrued DCP - Contribution	(19,693)	(2,079)	(17,614)
24121300 Accrued Health Savings Account	(281)	(281)	0
24121400 Accrued Bank Fees	(11,307)	598	(11,905)
24122500 Refund Rates Under Bond	(0)	357,859	(357,859)
24122700 Accrued Employer 401k Match	(14,124)	(1,634)	(12,489)
24123000 Accrued Incentive Plan Cash	(271,887)	(14,525)	(257,362)
24126000 Miscellaneous Deposits Payable	0	1,033	(1,033)
24126200 Accrued Paving	0	3,837	(3,837)
24133000 Unclaimed Customer Credits	(55,881)	146,591	(202,472)
24133200 Unclaimed A/P Checks	(13,947)	3,237	(17,184)
24142006 WH PR - 401k Contributions	(24,942)	(24,942)	0
24142014 WH PR - ESPP	(7,878)	(2,837)	(5,042)
24150000 Operating Lease Current Liability	(1,023)	(99)	(925)
24161000 GRIR - Stock E (Materials)	(130,601)	66,262	(196,862)
24163000 GRIR - Stock C (Chemicals)	(42,105)	51,822	(93,927)
24164000 GRIR - Non-inventory	(245,947)	110,544	(356,491)
24171000 CFO Miscellaneous	(17)	0	(17)
24171006 CFO Customer Assistance Pledged	(462)	78	(540)
24172000 CFO Sales Tax	36,286,300	4,310,291	31,976,009
24172100 CFO Sales Tax - from CIS	(36,686,047)	(4,365,894)	(32,320,153)
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	181,702	(181,702)
24199700 Deferred Revenue - Current Portion	0	0	0
24199900 Other Current Liabilities - Non-Tax Sensitive	(634,353)	(216,990)	(417,363)
25299900 Advances for Construction - Current	(732,044)	(124,775)	(607,269)
Total: Other current liabilities	(3,193,520)	784,365	(3,977,885)
Total: Total Current Liabilities	(33,600,983)	(18,439,448)	(15,161,535)
25211000 Advances for Construction - NT Mains	(4,595,478)	(3,746,528)	(848,950)
25212000 Advances for Construction - NT Extension Deposits	(1,044,874)	58,628	(1,103,502)
25215000 Advances for Construction - NT Hydrants	(13,301)	12,917	(26,218)
25217000 Advances for Construction - NT WIP	(1,162,886)	1,952,595	(3,115,481)
25221000 Advances for Construction - Tax Mains	(1,371,596)	332,088	(1,703,684)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	0	(61,288)
25223000 Advances for Construction - Tax Services	(7,969)	22	(7,991)
25225000 Advances for Construction - Tax Hydrants	(31,447)	14,251	(45,699)
25227000 Advances for Construction - Tax WIP	0	102,172	(102,172)
25241000 Advances for Construction - Tax Mains - FIT	(917,462)	309,542	(1,227,005)
25243000 Advances for Construction - Tax Services - FIT	0	22	(22)
25245000 Advances for Construction - Tax Hydrants - FIT	(31,427)	14,251	(45,679)
25280000 Advances for Construction - Reclassed to Current	732,044	124,775	607,269
Total: Customer Advances for construction	(8,505,685)	(825,265)	(7,680,420)
25310000 Deferred FIT Liability – Property	(42,737,885)	(43,719,997)	982,112
25310100 Deferred FIT Liability - FAS109 Increment	7,727,856	8,731,896	(1,004,041)
25311000 Deferred FIT Liability – Non Property	721,523	29,291,128	(28,569,605)
25311100 Deferred FIT Liability - FAS109 Gross Up	2,724,500	3,081,777	(357,276)
Total: Federal Deferred income taxes long-term	(31,564,006)	(2,615,196)	(28,948,810)
25320000 Deferred SIT Liability - Property	(9,966,990)	(9,966,925)	(65)
25320100 Deferred SIT Liability - FAS109 Increment	(64,042)	(63,039)	(1,003)
25321000 Deferred SIT Liability – Non Property	(302,892)	8,040,324	(8,343,216)
Total: State Deferred income taxes long-term	(10,333,924)	(1,989,641)	(8,344,283)
Total: Deferred income taxes	(41,897,930)	(4,604,837)	(37,293,094)

Tennessee American Water Company
Trial Balance as of June 30, 2023

Description	June 2023 Balance	Activity	Prior Year Balance
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(14,372)	4,676	(19,047)
25510300 Unamortized ITC - 10%	0	13,858	(13,858)
Total: Deferred investment tax credits	(14,372)	18,533	(32,905)
25700000 Reg Liab - Cost of Removal	0	0	0
25710000 Reg Liab - Cost of Removal RWIP	0	0	0
Total: Reg liability - cost of removal	0	0	0
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(10,007,200)	5,776,307	(15,783,506)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	0	219,473	(219,473)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	0	(257,877)	257,877
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	(702,088)	(791,728)	89,641
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	0	(119,619)	119,619
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(5,027)	(11,983)	6,956
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	0	7,673	(7,673)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	0	10,982	(10,982)
25632400 Reg Liab - Refund to Customers	0	0	0
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	326,187	326,187	0
25633000 Reg Liab - Pension Tracker	(2,430,183)	(548,124)	(1,882,059)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(730,800)	84,600	(815,400)
25689900 Reg Liab - Other	0	0	0
Total: Other regulatory liabilities	(13,549,110)	4,695,889	(18,244,999)
Total: Regulatory liabilities	(13,549,110)	4,695,889	(18,244,999)
26212000 Accrued Pension Expense	2,863,826	701,602	2,162,224
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,863,826	701,602	2,162,224
26221000 Accrued OPEB	4,733,206	1,009,674	3,723,532
26221500 Accrued OPEB Medicare Subsidy	(152,997)	(16,330)	(136,666)
Total: Accrued postretirement benefit expense	4,580,210	993,344	3,586,866
26300000 Operating Lease Long-Term Liability	(590)	946	(1,536)
Total: Operating lease long-term liabilities	(590)	946	(1,536)
26580000 FIN 48 Reserve - Federal	(642,232)	(180,575)	(461,657)
26581000 FIN 48 Reserve - State	(1,998)	163,707	(165,705)
Total: Other tax liabilities	(644,230)	(16,868)	(627,362)
Total: Other Deferred Credits	(644,230)	(16,868)	(627,362)
Total: Regulatory and other long-term liabilities	(57,167,882)	963,344	(58,131,226)
27111000 CIAC-Non Taxable - Mains	(6,555,628)	(507,471)	(6,048,157)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	0	(8,428,396)
27113000 CIAC-Non Taxable - Services	(496,083)	(3,445)	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,374,526)	(29,448)	(1,345,077)
27116000 CIAC-Non Taxable - Other	(3,083,061)	0	(3,083,061)
27117000 CIAC-Non Taxable - WIP	(767,240)	(539,726)	(227,514)
27121000 CIAC-Taxable - Mains	(2,372,106)	1,136	(2,373,242)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,887,783)	(164,353)	(2,723,431)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(312,084)	(6,700)	(305,384)
27127000 CIAC-Taxable - WIP	0	178,892	(178,892)
27141000 CIAC-Taxable - Mains FIT	(438,310)	5,862	(444,172)
27143000 CIAC-Taxable - Services FIT	(71,374)	(29,329)	(42,045)
27145000 CIAC-Taxable - Hydrants FIT	(38,601)	626	(39,227)
27206000 Accum Amort CIAC - Other	5,889,277	259,630	5,629,646
27210000 Accum Amort CIAC - Tax	1,215,451	75,499	1,139,952
Total: Contributions in aid of construction	(19,945,680)	(758,827)	(19,186,852)
Total: CAPITAL AND LIABILITIES	(354,644,320)	(21,734,500)	(332,909,820)
Total: BALANCE SHEET (Net Profit)	3,641,981	146,646	3,495,336

Tennessee American Water Company
Trial Balance as of July 31, 2023

Description	July 2023 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	0	2,661,881
10130410 UPIS - Struct & Imp - Source of Supply	753,021	58,231	694,790
10130420 UPIS - Struct & Imp - Pumping	7,638,572	290,642	7,347,930
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	0	18,584,006
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,442,935	37,712	4,405,223
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	0	856,116
10131120 UPIS - Pumping Equipment - Electric	6,031,910	786,693	5,245,217
10131130 UPIS - Pumping Equipment - Diesel	92,937	(26,359)	119,296
10131150 UPIS - Pumping Equipment - Other	3,054,879	1,552,003	1,502,876
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,198	0	2,620,198
10132010 UPIS - Water Treatment Equipment	28,906,542	722,988	28,183,554
10133000 UPIS - Distribution Reservoirs & Standpipes	14,537,097	(262,980)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	160,631,014	4,073,702	156,557,312
10133300 UPIS - Services	33,606,626	1,009,027	32,597,599
10133410 UPIS - Meters	22,373,038	4,553,775	17,819,264
10133420 UPIS - Meter Installations	24,356,817	1,860,332	22,496,485
10133500 UPIS - Hydrants	13,370,975	970,391	12,400,584
10133910 UPIS - Other P/E - Intangible	1,450,178	0	1,450,178
10133920 UPIS - Other P/E - Source of Supply	219,174	(4,278)	223,453
10134010 UPIS - Office Furniture & Equipment	11,178,352	(6,744,524)	17,922,876
10134100 UPIS - Transportation Equipment	7,036,359	86,373	6,949,986
10134300 UPIS - Tools-Shop-Garage Equipment	972,009	207,566	764,443
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,343,788	237,953	2,105,835
10134700 UPIS - Misc Equipment	596,331	119,000	477,331
10134800 UPIS - Other Tangible Property	17,776	12,858	4,918
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10630410 CCNC Struct & Imp - Source of Supply	3,761,175	3,708,950	52,225
10630420 CCNC Struct & Imp - Pumping	487,030	(509,634)	996,664
10630430 CCNC Struct & Imp - Water Treatment	14,262,145	255	14,261,890
10630450 CCNC Struct & Imp - Admin & General	902,539	184,552	717,987
10630600 CCNC Lake - River & Other	414,697	0	414,697
10630900 CCNC Supply Mains	1,349,045	0	1,349,045
10631120 CCNC Pumping Equipment - Electric	85,302	87,606	(2,303)
10631150 CCNC Pumping Equipment - Other	2,985,582	(1,914,384)	4,899,966
10631152 CCNC Pumping Equipment - Source of Supply	48,818	48,818	0
10632010 CCNC - Water Treatment Equipment - Non-Media	1,951,662	(482,056)	2,433,719
10633000 CCNC - Distribution Reservoirs & Standpipes	6,785,875	2,505,255	4,280,620
10633100 CCNC - Transmssn & Distr Mains Not Classified	29,714,721	9,617,296	20,097,425
10633300 CCNC Services	382,898	93,971	288,927

Tennessee American Water Company
Trial Balance as of July 31, 2023

Description	July 2023 Balance	Activity	Prior Year Balance
10633410 CCNC Meters	2,198,304	(3,051,275)	5,249,580
10633420 CCNC Meter Installations	881,410	22,533	858,877
10633500 CCNC Hydrants	579,489	(342,586)	922,075
10633910 CCNC Other P/E Intangible	130,284	0	130,284
10634010 CCNC Office Furniture & Equipment	5,695,263	1,918,408	3,776,855
10634100 CCNC Transportation Equipment Not Classified	2,873,674	991,653	1,882,021
10634300 CCNC Tools-Shop-Garage Equipment	51,303	(189,636)	240,938
10634400 CCNC Laboratory Equipment	7,804	7,804	0
10634600 CCNC Communication Equipment	307,675	141,724	165,951
10634700 CCNC Misc Equipment	368,860	318,360	50,500
10634800 CCNC Other Tangible Property	2,963	(12,858)	15,821
Total: Utility plant in service	448,334,232	22,685,863	425,648,369
10700000 CWIP	9,790,046	1,723,813	8,066,233
10780110 CWIP - Eng Clearing Dist Overhead	344,295	(241,711)	586,006
10780120 CWIP - Eng Clearing Eng Overhead	3,118	(3,170)	6,288
10780160 CWIP - Suspended CWIP Reserve	(58,939)	(36,114)	(22,825)
Total: Construction work in progress	10,078,520	1,442,818	8,635,702
10801000 Accum Depreciation - Utility Plant in Service	(180,795,195)	(11,528,910)	(169,266,285)
10802000 Accum Depreciation - Salvage/Scrap	(4,790,885)	(45,782)	(4,745,104)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	56,180,271	9,052,910	47,127,362
10810000 Accum Depreciation - Reg Asset	(35,705)	(1,116)	(34,589)
Total: Accumulated depreciation/amortization	(129,451,374)	(2,522,898)	(126,928,476)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	325,211,799	21,605,782	303,606,017
Total: Total Property Plant & Equipment	325,211,799	21,605,782	303,606,017
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	1,021	1,021	0
13140103 PNC AWCC-Accounts Payable - Outbound Check	(87,845)	149,461	(237,306)
13140303 PNC AWCC-Customer Refund - Outbound Check	(132,866)	(72,655)	(60,210)
13162600 US Bank TN - Main	342,224	145,951	196,273
13162609 US Bank TN - Credit Card and E-Checks	186,604	54,011	132,593
13162610 US Bank TN - Firstech Collections	1,211	891	320
13162611 US Bank TN - FiServ (aka CheckFree)	14,246	8,942	5,303
13162612 US Bank TN - Penn Credit	250	(28)	278
13162613 US Bank TN - E-Return - US Bank	1,807	1,807	0
13162616 US Bank TN - NSF Return Payments	929	(247)	1,175
13199004 Cash Clearing - MI's	(681)	(681)	0
Total: Cash and cash equivalents	328,899	288,473	40,427
14100000 A/R - Customer - CIS Reconciliation	5,108,016	(413,642)	5,521,658
14100998 A/R - Customer - Payment Clarification	(21,979)	(21,979)	0
Total: Utility customer accounts receivable	5,086,037	(435,620)	5,521,658
14510041 AR Associated Cos - AWI IOTG	153,238	(7,069)	160,307
14510100 A/R Assoc Cos - Reconciliation Account	54,703	(226,447)	281,150
14511001 A/R Assoc Cos - Service Company Bill	53,377	(37,505)	90,882
Total: Receivable from affiliated companies	261,319	(271,021)	532,340

Tennessee American Water Company
Trial Balance as of July 31, 2023

Description	July 2023 Balance	Activity	Prior Year Balance
14610000 Misc A/R - Reconciliation Account	457,695	(185,506)	643,201
14611000 Misc A/R - Manual	1,473	32	1,441
14611500 Misc A/R - Medicare Subsidy	39,853	(6,945)	46,798
Total: Other receivables, net	499,022	(192,419)	691,440
14300000 Allowance for Uncollectible Accounts	(436,807)	(9,880)	(426,927)
14620000 Misc Rec - Allow for Uncollectible Accts	(34,105)	(6,682)	(27,423)
Total: Allowance for uncollectible accounts	(470,911)	(16,562)	(454,350)
Total: Accounts receivable, net	5,375,466	(915,622)	6,291,088
14400000 Unbilled Utility Revenue	2,764,207	446,838	2,317,369
Total: Unbilled revenues	2,764,207	446,838	2,317,369
15110000 Inventory - Plant Material	1,907,019	848,130	1,058,889
15130000 Inventory - Chemicals	279,607	120,282	159,325
15140000 Inventory - Other Materials & Supplies	38,381	(8,300)	46,681
Total: Materials and supplies	2,225,008	960,112	1,264,895
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	944,530	48,775	895,755
16520000 Prepaid Insurance	312,759	52,280	260,479
16530000 Prepaid PUC/PSC Assessment	101,438	3,895	97,543
16550000 Prepaid Other	(50,596)	(67,170)	16,574
16550010 Prepaid Other - Global	57,609	29,608	28,000
Total: Other current assets	1,380,739	67,388	1,313,351
Total: Total Current Assets	12,074,319	847,189	11,227,130
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	0	(83,985)	83,985
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	0	(1,791,386)	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	250,093	249,914	179
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	0	(145,733)	145,733
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	81,093	81,035	58
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	0	(2,622,468)	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	0	703,889	(703,889)
Total: Reg asset - income tax recovery	331,186	(3,608,734)	3,939,920
18661000 Reg Asset - Unamortized Debt Exp	6,981	(2,261)	9,242
18661500 Reg Asset - Unamortized Debt Exp Interco	1,193,902	(77,710)	1,271,612
Total: Debt and preferred stock expense	1,200,882	(79,972)	1,280,854
18680101 Reg Asset - Deferred Vacation Pay	300,639	29,106	271,533
18680162 Reg Asset- Closing Costs	7,417	(1,000)	8,417
18680218 Regulatory Asset - "Make-Whole Premium"	142,496	(28,032)	170,529
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
Total: Other regulatory assets	483,430	74	483,356
Total: Regulatory assets	2,015,498	(3,688,632)	5,704,129
18750000 LT Asset - Operating Lease Right-Of-Use Assets	1,458	(926)	2,384
Total: Operating lease right-of-use assets	1,458	(926)	2,384
18715700 LT Asset - Unamort Debt In - Revolver	90,158	48,281	41,877
Total: Other long-term assets	90,158	48,281	41,877
Total: Total Regulatory and other long-term assets	2,107,114	(3,641,277)	5,748,391
Total: ASSETS	339,393,233	18,811,695	320,581,538
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)

Tennessee American Water Company
Trial Balance as of July 31, 2023

Description	July 2023 Balance	Activity	Prior Year Balance
20520000 Paid-in Capital - Subs Intercompany	(86,809,406)	(11,119,972)	(75,689,433)
Total: Paid-in capital	(86,809,406)	(11,119,972)	(75,689,433)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(47,191,911)	(3,360,477)	(43,831,434)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(46,700,943)	(3,360,477)	(43,340,466)
Total: Total Stockholders' equity	(147,264,584)	(14,480,449)	(132,784,135)
Total: Total Equity	(147,264,584)	(14,480,449)	(132,784,135)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	313,536	(19,120)	332,656
22115000 Bonds - Interco	(102,280,321)	0	(102,280,321)
Total: Long-term debt	(107,666,785)	(19,120)	(107,647,665)
Total: Total Long-term debt	(107,666,785)	(19,120)	(107,647,665)
Total: Total Capitalization	(254,931,369)	(14,499,569)	(240,431,800)
23121000 In-House Cash Center Bank	(12,399,640)	(8,871,461)	(3,528,178)
23121001 IHC Clearing - Outgoing Payment	(75,973)	(76,796)	823
23121002 IHC Clearing - Incoming Payment	0	(1,136)	1,136
Total: In-House Cash Center	(12,475,613)	(8,949,393)	(3,526,220)
Total: Short-term debt	(12,475,613)	(8,949,393)	(3,526,220)
23410000 A/P - Reconciliation Account	(1,936,341)	(21,525)	(1,914,816)
23410100 A/P Intercompany - Reconciliation Account	(198,112)	220,119	(418,232)
23411001 PCard Distributed-Clearing for Mapped Transactions	(6,825)	8,488	(15,312)
23430600 A/P - Workbasket Accrual	(139,870)	(34,907)	(104,963)
23430700 A/P - Pcard Accrual	(24,325)	(323)	(24,003)
23431000 A/P - Misc Global	(186,286)	(126,197)	(60,089)
23435000 A/P - Project Cost Accrual	(2,939,206)	(1,054,675)	(1,884,530)
23436000 A/P-GRIR Capital Services	98,378	117,070	(18,691)
Total: Accounts payable external	(5,332,587)	(891,951)	(4,440,636)
23510000 A/P Associated Companies	(2,224)	(1,815)	(409)
23520000 A/P Associated Companies - Service Co Bill	1,092,723	98,230	994,493
23520001 A/P Associated Companies - Service Co Bill	(964,432)	40,301	(1,004,734)
23530400 CFO - WLPP/SLPP/InHome Interco	(9)	0	(9)
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	(36)	74
23540100 CFO - SLPP Receivable Interco	(65)	0	(65)
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	(38)	64
23540201 CFO - InHome Receivable I/C - CIS Reconciliation	0	(23)	23
23540301 CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	0	(126)	126
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	(259)	0	(259)
23540401 CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	0	(45)	45
Total: Accounts payable associated companies	125,798	136,447	(10,649)
Total: Accounts payable	(5,206,789)	(755,503)	(4,451,286)
23621000 Accrued FIT - Current Year	113,230	1,381,051	(1,267,821)
23622000 Accrued FIT - Prior Years	656,394	596,762	59,632
Total: Accrued federal income tax	769,624	1,977,813	(1,208,189)
23631000 Accrued SIT - Current Year	(140,128)	(366,937)	226,809
23632000 Accrued SIT - Prior Years	871,059	(15,587)	886,646
Total: Accrued state income tax	730,930	(382,524)	1,113,455

Tennessee American Water Company
Trial Balance as of July 31, 2023

Description	July 2023 Balance	Activity	Prior Year Balance
23652000 Accrued Tax - FUTA	(21)	(21)	0
23652100 Accrued Tax - FICA	(38,470)	(4,318)	(34,151)
23653000 Accrued Tax - Property Tax	(2,418,788)	(268,013)	(2,150,775)
23654000 Accrued Tax - Use Tax	(2,336)	1,751	(4,087)
23654110 Accrued Tax - Franchise Tax - Income Tax	(1,216,022)	(56,923)	(1,159,099)
Total: Other accrued taxes	(3,675,637)	(327,524)	(3,348,113)
Total: Taxes accrued, including income taxes	(2,175,083)	1,267,764	(3,442,847)
23720000 Interest Accrued - LTD	(186,200)	0	(186,200)
23730000 Interest Accrued - LTD Interco	(1,196,727)	16,069	(1,212,797)
Total: Interest accrued	(1,382,927)	16,069	(1,398,997)
24120000 Accrued Vacation Pay	(300,639)	(29,106)	(271,533)
24120200 Accrued Power	(190,875)	50,681	(241,556)
24120300 Accrued Legal	(47,512)	22,962	(70,474)
24120600 Accrued Wages	(188,273)	(34,052)	(154,222)
24120699 Accrued Wages - Net Adjustments Clearing	(1,278)	(1,020)	(258)
24120700 Accrued Insurance	0	(28,990)	28,990
24121000 Accrued Waste Disposal	(90,091)	(64,203)	(25,888)
24121100 Accrued Retiree Medical	(17,747)	(1,040)	(16,706)
24121200 Accrued DCP - Contribution	(21,435)	(2,763)	(18,672)
24121400 Accrued Bank Fees	(14,363)	(2,870)	(11,493)
24122500 Refund Rates Under Bond	(0)	252,162	(252,162)
24122700 Accrued Employer 401k Match	(15,279)	(2,322)	(12,957)
24123000 Accrued Incentive Plan Cash	(317,201)	(16,946)	(300,255)
24126000 Miscellaneous Deposits Payable	0	1,033	(1,033)
24126200 Accrued Paving	0	3,837	(3,837)
24133000 Unclaimed Customer Credits	(61,192)	141,293	(202,484)
24133200 Unclaimed A/P Checks	(15,950)	3,028	(18,977)
24142006 WH PR - 401k Contributions	(25,713)	(3,564)	(22,149)
24142014 WH PR - ESPP	(12,313)	(482)	(11,832)
24150000 Operating Lease Current Liability	(1,102)	(176)	(926)
24161000 GRIR - Stock E (Materials)	(141,057)	16,592	(157,649)
24163000 GRIR - Stock C (Chemicals)	(56,487)	23,716	(80,203)
24164000 GRIR - Non-inventory	(255,778)	(40,975)	(214,803)
24171000 CFO Miscellaneous	(17)	0	(17)
24171006 CFO Customer Assistance Pledged	(507)	82	(589)
24172000 CFO Sales Tax	36,686,047	4,366,071	32,319,976
24172100 CFO Sales Tax - from CIS	(37,155,208)	(4,385,364)	(32,769,844)
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	90,851	(90,851)
24199700 Deferred Revenue - Current Portion	(603,687)	(28,425)	(575,262)
25299900 Advances for Construction - Current	(732,044)	(124,775)	(607,269)
Total: Other current liabilities	(3,579,701)	205,235	(3,784,937)
Total: Total Current Liabilities	(24,820,113)	(8,215,827)	(16,604,286)
25211000 Advances for Construction - NT Mains	(4,645,340)	(3,952,605)	(692,736)
25212000 Advances for Construction - NT Extension Deposits	(1,044,874)	5,672	(1,050,545)
25215000 Advances for Construction - NT Hydrants	(13,301)	8,247	(21,548)
25217000 Advances for Construction - NT WIP	(1,173,967)	2,232,580	(3,406,547)
25221000 Advances for Construction - Tax Mains	(1,371,596)	332,088	(1,703,684)

Tennessee American Water Company
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Description	July 2023 Balance	Activity	Prior Year Balance
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	0	(61,288)
25223000 Advances for Construction - Tax Services	(7,969)	(922)	(7,047)
25225000 Advances for Construction - Tax Hydrants	(31,447)	14,251	(45,699)
25227000 Advances for Construction - Tax WIP	0	79,488	(79,488)
25241000 Advances for Construction - Tax Mains - FIT	(917,462)	309,542	(1,227,005)
25243000 Advances for Construction - Tax Services - FIT	0	22	(22)
25245000 Advances for Construction - Tax Hydrants - FIT	(31,427)	14,251	(45,679)
25280000 Advances for Construction - Reclassed to Current	732,044	124,775	607,269
Total: Customer Advances for construction	(8,566,628)	(832,610)	(7,734,018)
25310000 Deferred FIT Liability – Property	(42,786,773)	(44,092,069)	1,305,295
25310100 Deferred FIT Liability - FAS109 Increment	7,706,860	9,035,461	(1,328,602)
25311000 Deferred FIT Liability – Non Property	721,814	29,612,902	(28,891,088)
25311100 Deferred FIT Liability - FAS109 Gross Up	2,717,133	3,189,900	(472,768)
Total: Federal Deferred income taxes long-term	(31,640,968)	(2,253,805)	(29,387,163)
25320000 Deferred SIT Liability - Property	(9,994,757)	(9,994,672)	(86)
25320100 Deferred SIT Liability - FAS109 Increment	(63,770)	(62,443)	(1,327)
25321000 Deferred SIT Liability – Non Property	(302,794)	8,166,196	(8,468,990)
Total: State Deferred income taxes long-term	(10,361,321)	(1,890,919)	(8,470,403)
Total: Deferred income taxes	(42,002,289)	(4,144,724)	(37,857,565)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(14,090)	4,105	(18,195)
25510300 Unamortized ITC - 10%	0	8,305	(8,305)
Total: Deferred investment tax credits	(14,090)	12,409	(26,499)
25700000 Reg Liab - Cost of Removal	19,519,250	2,295,385	17,223,866
25710000 Reg Liab - Cost of Removal RWIP	1,575,378	172,231	1,403,147
Total: Reg liability - cost of removal	21,094,628	2,467,615	18,627,013
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(9,984,548)	5,389,865	(15,374,413)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	0	219,473	(219,473)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	0	(257,877)	257,877
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	(701,745)	(820,363)	118,618
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	0	(119,619)	119,619
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(4,928)	(14,133)	9,205
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	0	7,673	(7,673)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	0	10,982	(10,982)
25632400 Reg Liab - Refund to Customers	0	(0)	0
25633000 Reg Liab - Pension Tracker	(2,460,115)	(516,156)	(1,943,959)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(730,800)	84,600	(815,400)
25689900 Reg Liab - Other	1,695,515	1,100,546	594,969
Total: Other regulatory liabilities	(12,186,621)	5,084,990	(17,271,611)
Total: Regulatory liabilities	8,908,007	7,552,605	1,355,401
26212000 Accrued Pension Expense	2,839,733	636,539	2,203,194
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,839,733	636,539	2,203,194
26221000 Accrued OPEB	4,799,831	974,645	3,825,186
26221500 Accrued OPEB Medicare Subsidy	(155,017)	(16,207)	(138,809)
Total: Accrued postretirement benefit expense	4,644,815	958,438	3,686,377
26300000 Operating Lease Long-Term Liability	(511)	947	(1,458)

Tennessee American Water Company
Trial Balance as of July 31, 2023

Description	July 2023 Balance	Activity	Prior Year Balance
Total: Operating lease long-term liabilities	(511)	947	(1,458)
26580000 FIN 48 Reserve - Federal	(642,232)	(180,575)	(461,657)
26581000 FIN 48 Reserve - State	(1,998)	163,707	(165,705)
Total: Other tax liabilities	(644,230)	(16,868)	(627,362)
Total: Other Deferred Credits	(644,230)	(16,868)	(627,362)
Total: Regulatory and other long-term liabilities	(34,835,194)	4,166,737	(39,001,932)
27111000 CIAC-Non Taxable - Mains	(6,555,628)	(507,471)	(6,048,157)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	0	(8,428,396)
27113000 CIAC-Non Taxable - Services	(496,083)	(3,445)	(492,638)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,374,526)	(26,003)	(1,348,522)
27116000 CIAC-Non Taxable - Other	(3,083,061)	0	(3,083,061)
27117000 CIAC-Non Taxable - WIP	(771,056)	(409,159)	(361,897)
27121000 CIAC-Taxable - Mains	(2,372,106)	1,633	(2,373,739)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,894,835)	(171,383)	(2,723,452)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(312,084)	(6,679)	(305,406)
27127000 CIAC-Taxable - WIP	0	192,902	(192,902)
27141000 CIAC-Taxable - Mains FIT	(438,310)	6,359	(444,669)
27143000 CIAC-Taxable - Services FIT	(74,900)	(32,833)	(42,067)
27145000 CIAC-Taxable - Hydrants FIT	(38,601)	647	(39,248)
27206000 Accum Amort CIAC - Other	5,911,206	260,219	5,650,988
27210000 Accum Amort CIAC - Tax	1,221,824	75,642	1,146,182
Total: Contributions in aid of construction	(19,931,770)	(619,570)	(19,312,199)
Total: CAPITAL AND LIABILITIES	(334,518,446)	(19,168,229)	(315,350,216)
Total: BALANCE SHEET (Net Profit)	4,874,788	(356,534)	5,231,322

Tennessee American Water Company
Trial Balance as of August 31, 2023

Description	August 2023 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	0	2,661,881
10130410 UPIS - Struct & Imp - Source of Supply	753,021	58,231	694,790
10130420 UPIS - Struct & Imp - Pumping	7,638,572	(167,994)	7,806,566
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	0	18,584,006
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,442,935	37,712	4,405,223
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	0	856,116
10131120 UPIS - Pumping Equipment - Electric	6,031,910	786,693	5,245,217
10131130 UPIS - Pumping Equipment - Diesel	92,937	(26,359)	119,296
10131150 UPIS - Pumping Equipment - Other	3,054,879	1,498,055	1,556,824
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,003	(195)	2,620,198
10132010 UPIS - Water Treatment Equipment	28,877,187	714,798	28,162,389
10133000 UPIS - Distribution Reservoirs & Standpipes	14,537,097	(262,980)	14,800,077
10133100 UPIS - Transmission & Distribution Mains	160,814,185	3,489,443	157,324,741
10133300 UPIS - Services	33,671,575	1,061,098	32,610,478
10133410 UPIS - Meters	22,654,812	4,935,042	17,719,770
10133420 UPIS - Meter Installations	24,748,500	2,250,645	22,497,855
10133500 UPIS - Hydrants	13,402,823	973,213	12,429,611
10133910 UPIS - Other P/E - Intangible	1,450,178	0	1,450,178
10133920 UPIS - Other P/E - Source of Supply	219,174	(4,278)	223,453
10134010 UPIS - Office Furniture & Equipment	11,178,876	(6,817,804)	17,996,680
10134100 UPIS - Transportation Equipment	7,036,359	(28,877)	7,065,236
10134300 UPIS - Tools-Shop-Garage Equipment	972,009	205,687	766,322
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,343,788	93,408	2,250,380
10134700 UPIS - Misc Equipment	596,331	119,000	477,331
10134800 UPIS - Other Tangible Property	17,776	0	17,776
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10630410 CCNC Struct & Imp - Source of Supply	2,165,775	2,113,550	52,225
10630420 CCNC Struct & Imp - Pumping	487,030	(96)	487,126
10630430 CCNC Struct & Imp - Water Treatment	14,262,145	255	14,261,890
10630450 CCNC Struct & Imp - Admin & General	902,623	180,794	721,829
10630600 CCNC Lake - River & Other	2,161,913	1,747,216	414,697
10630900 CCNC Supply Mains	1,349,045	0	1,349,045
10631120 CCNC Pumping Equipment - Electric	85,302	84,551	751
10631150 CCNC Pumping Equipment - Other	3,001,242	(1,899,840)	4,901,082
10631152 CCNC Pumping Equipment - Source of Supply	48,818	48,818	0
10632010 CCNC - Water Treatment Equipment - Non-Media	2,537,094	(93,486)	2,630,580
10633000 CCNC - Distribution Reservoirs & Standpipes	7,016,348	2,737,659	4,278,689
10633100 CCNC - Transmssn & Distr Mains Not Classified	30,204,745	10,627,647	19,577,098
10633300 CCNC Services	327,726	(12,007)	339,733

Tennessee American Water Company
Trial Balance as of August 31, 2023

Description	August 2023 Balance	Activity	Prior Year Balance
10633410 CCNC Meters	2,098,455	(3,339,911)	5,438,366
10633420 CCNC Meter Installations	770,420	(303,740)	1,074,159
10633500 CCNC Hydrants	588,952	(480,177)	1,069,130
10633910 CCNC Other P/E Intangible	130,284	0	130,284
10634010 CCNC Office Furniture & Equipment	6,173,169	2,249,061	3,924,108
10634100 CCNC Transportation Equipment Not Classified	2,945,316	1,003,158	1,942,158
10634300 CCNC Tools-Shop-Garage Equipment	51,303	(228,853)	280,156
10634400 CCNC Laboratory Equipment	7,804	7,804	0
10634600 CCNC Communication Equipment	307,675	285,997	21,679
10634700 CCNC Misc Equipment	368,860	306,600	62,260
10634800 CCNC Other Tangible Property	2,963	0	2,963
Total: Utility plant in service	451,025,117	23,949,539	427,075,579
10700000 CWIP	11,165,594	2,086,953	9,078,641
10780110 CWIP - Eng Clearing Dist Overhead	303,491	(244,622)	548,112
10780120 CWIP - Eng Clearing Eng Overhead	4,064	(2,224)	6,288
10780160 CWIP - Suspended CWIP Reserve	(58,939)	(36,114)	(22,825)
Total: Construction work in progress	11,414,210	1,803,993	9,610,216
10801000 Accum Depreciation - Utility Plant in Service	(181,758,471)	(11,541,802)	(170,216,668)
10802000 Accum Depreciation - Salvage/Scrap	(4,790,885)	(19,601)	(4,771,285)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	56,218,674	8,940,321	47,278,353
10810000 Accum Depreciation - Reg Asset	(35,798)	(1,116)	(34,682)
Total: Accumulated depreciation/amortization	(130,376,340)	(2,622,198)	(127,754,142)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	328,313,408	23,131,334	305,182,074
Total: Total Property Plant & Equipment	328,313,408	23,131,334	305,182,074
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	649	(22,457)	23,106
13140103 PNC AWCC-Accounts Payable - Outbound Check	(60,047)	114,917	(174,964)
13140303 PNC AWCC-Customer Refund - Outbound Check	(123,956)	(53,916)	(70,040)
13162600 US Bank TN - Main	154,386	(9,106)	163,492
13162609 US Bank TN - Credit Card and E-Checks	116,298	11,156	105,142
13162610 US Bank TN - Firstech Collections	377	(226)	603
13162611 US Bank TN - FiServ (aka CheckFree)	6,170	(542)	6,712
13162614 US Bank TN -Credit Card & Echeck E-Returns	(279)	(160)	(120)
13162616 US Bank TN - NSF Return Payments	417	238	179
13199004 Cash Clearing - MI's	(681)	0	(681)
Total: Cash and cash equivalents	95,334	39,904	55,430
14100000 A/R - Customer - CIS Reconciliation	4,887,049	646,149	4,240,900
14100998 A/R - Customer - Payment Clarification	(8,123)	2,521	(10,644)
14100999 A/R - Customer - Returns Clarification	1,044	36	1,009
Total: Utility customer accounts receivable	4,879,970	648,705	4,231,265
14510041 AR Associated Cos - AWI IOTG	153,238	(7,069)	160,307
14510100 A/R Assoc Cos - Reconciliation Account	4,860	(51,338)	56,198
14511001 A/R Assoc Cos - Service Company Bill	44,116	(20,061)	64,177
Total: Receivable from affiliated companies	202,214	(78,469)	280,682

Tennessee American Water Company
Trial Balance as of August 31, 2023

Description	August 2023 Balance	Activity	Prior Year Balance
14610000 Misc A/R - Reconciliation Account	467,355	(128,230)	595,585
14611000 Misc A/R - Manual	1,479	39	1,440
14611500 Misc A/R - Medicare Subsidy	41,873	(7,068)	48,941
14613000 Misc A/R - Employees	(27)	(27)	0
Total: Other receivables, net	510,680	(135,285)	645,966
14300000 Allowance for Uncollectible Accounts	(451,607)	(34,943)	(416,664)
14620000 Misc Rec - Allow for Uncollectible Accts	(34,105)	(6,682)	(27,423)
Total: Allowance for uncollectible accounts	(485,712)	(41,625)	(444,087)
Total: Accounts receivable, net	5,107,152	393,326	4,713,826
14400000 Unbilled Utility Revenue	2,758,817	12,644	2,746,173
Total: Unbilled revenues	2,758,817	12,644	2,746,173
15110000 Inventory - Plant Material	1,468,521	374,706	1,093,816
15130000 Inventory - Chemicals	303,691	32,489	271,202
15140000 Inventory - Other Materials & Supplies	40,368	26,952	13,415
Total: Materials and supplies	1,812,580	434,147	1,378,433
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	852,962	62,719	790,243
16520000 Prepaid Insurance	216,007	29,739	186,268
16530000 Prepaid PUC/PSC Assessment	81,151	3,116	78,034
16550000 Prepaid Other	43,539	(22,756)	66,296
16550010 Prepaid Other - Global	53,790	31,637	22,154
16613000 Reg Asset - Deferred Vacation Pay	300,639	300,639	0
Total: Other current assets	1,563,088	405,093	1,157,994
Total: Total Current Assets	11,336,971	1,285,115	10,051,856
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	0	(83,985)	83,985
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	0	(1,791,386)	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	257,727	257,524	203
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	0	(145,733)	145,733
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	83,568	83,503	66
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	0	(2,622,468)	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	0	703,889	(703,889)
Total: Reg asset - income tax recovery	341,295	(3,598,656)	3,939,951
18661000 Reg Asset - Unamortized Debt Exp	6,793	(2,261)	9,054
18661500 Reg Asset - Unamortized Debt Exp Interco	1,366,632	101,484	1,265,148
Total: Debt and preferred stock expense	1,373,425	99,223	1,274,202
18680101 Reg Asset - Deferred Vacation Pay	0	(271,533)	271,533
18680162 Reg Asset- Closing Costs	7,333	(1,000)	8,333
18680218 Regulatory Asset - "Make-Whole Premium"	140,160	(28,032)	168,193
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
Total: Other regulatory assets	180,372	(300,565)	480,937
Total: Regulatory assets	1,895,092	(3,799,998)	5,695,089
18750000 LT Asset - Operating Lease Right-Of-Use Assets	1,380	(928)	2,308
Total: Operating lease right-of-use assets	1,380	(928)	2,308
18715700 LT Asset - Unamort Debt In - Revolver	88,391	47,822	40,568
Total: Other long-term assets	88,391	47,822	40,568
Total: Total Regulatory and other long-term assets	1,984,862	(3,753,103)	5,737,965
Total: ASSETS	341,635,241	20,663,345	320,971,896

Tennessee American Water Company
Trial Balance as of August 31, 2023

Description	August 2023 Balance	Activity	Prior Year Balance
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(86,809,406)	(11,116,888)	(75,692,517)
Total: Paid-in capital	(86,809,406)	(11,116,888)	(75,692,517)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(47,191,911)	(3,360,477)	(43,831,434)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(46,700,943)	(3,360,477)	(43,340,466)
Total: Total Stockholders' equity	(147,264,584)	(14,477,365)	(132,787,219)
Total: Total Equity	(147,264,584)	(14,477,365)	(132,787,219)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	311,943	(19,120)	331,062
22115000 Bonds - Interco	(117,280,321)	(15,000,000)	(102,280,321)
Total: Long-term debt	(122,668,378)	(15,019,120)	(107,649,259)
Total: Total Long-term debt	(122,668,378)	(15,019,120)	(107,649,259)
Total: Total Capitalization	(269,932,962)	(29,496,485)	(240,436,477)
23121000 In-House Cash Center Bank	2,686,681	4,877,343	(2,190,663)
23121001 IHC Clearing - Outgoing Payment	(120,374)	(27,556)	(92,818)
Total: In-House Cash Center	2,566,306	4,849,787	(2,283,481)
Total: Short-term debt	2,566,306	4,849,787	(2,283,481)
23410000 A/P - Reconciliation Account	(2,415,021)	(169,572)	(2,245,450)
23410100 A/P Intercompany - Reconciliation Account	(182,076)	(4,526)	(177,550)
23411001 PCard Distributed-Clearing for Mapped Transactions	(12,099)	2,661	(14,760)
23430600 A/P - Workbasket Accrual	(126,363)	5,403	(131,766)
23430700 A/P - Pcard Accrual	(29,847)	(17,699)	(12,149)
23431000 A/P - Misc Global	(123,688)	(80,509)	(43,179)
23435000 A/P - Project Cost Accrual	(3,182,620)	(1,205,425)	(1,977,195)
23436000 A/P-GRIR Capital Services	130,223	157,540	(27,318)
Total: Accounts payable external	(5,941,491)	(1,312,126)	(4,629,365)
23510000 A/P Associated Companies	(5,104)	(941)	(4,163)
23520000 A/P Associated Companies - Service Co Bill	911,055	(2,796)	913,851
23520001 A/P Associated Companies - Service Co Bill	(934,999)	(26,899)	(908,099)
23530400 CFO - WLPP/SLPP/InHome Interco	(38)	(29)	(9)
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	0	38
23540100 CFO - SLPP Receivable Interco	(26)	39	(65)
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	0	26
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	0	259	(259)
Total: Accounts payable associated companies	(29,048)	(30,368)	1,320
Total: Accounts payable	(5,970,539)	(1,342,494)	(4,628,045)
23621000 Accrued FIT - Current Year	(124,328)	1,243,753	(1,368,081)
23622000 Accrued FIT - Prior Years	656,394	596,762	59,632
Total: Accrued federal income tax	532,066	1,840,515	(1,308,449)
23631000 Accrued SIT - Current Year	(211,988)	(414,496)	202,507
23632000 Accrued SIT - Prior Years	871,059	(15,587)	886,646
Total: Accrued state income tax	659,070	(430,083)	1,089,153
23652000 Accrued Tax - FUTA	(21)	0	(21)
23652100 Accrued Tax - FICA	(50,255)	(7,611)	(42,644)

Tennessee American Water Company
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Description	August 2023 Balance	Activity	Prior Year Balance
23653000 Accrued Tax - Property Tax	(2,753,980)	(303,643)	(2,450,337)
23654000 Accrued Tax - Use Tax	(3,663)	(704)	(2,959)
23654110 Accrued Tax - Franchise Tax - Income Tax	(1,280,022)	(59,923)	(1,220,099)
Total: Other accrued taxes	(4,087,941)	(371,881)	(3,716,060)
Total: Taxes accrued, including income taxes	(2,896,804)	1,038,552	(3,935,356)
23720000 Interest Accrued - LTD	(223,440)	0	(223,440)
23730000 Interest Accrued - LTD Interco	(1,559,270)	(8,097)	(1,551,173)
Total: Interest accrued	(1,782,710)	(8,097)	(1,774,613)
24120000 Accrued Vacation Pay	(300,639)	(29,106)	(271,533)
24120200 Accrued Power	(190,354)	55,263	(245,617)
24120300 Accrued Legal	(45,695)	(12,465)	(33,230)
24120600 Accrued Wages	(297,103)	(68,132)	(228,970)
24120699 Accrued Wages - Net Adjustments Clearing	(1,491)	(975)	(516)
24120700 Accrued Insurance	0	(8,400)	8,400
24121000 Accrued Waste Disposal	(57,600)	(11,300)	(46,300)
24121100 Accrued Retiree Medical	(20,391)	(1,187)	(19,204)
24121200 Accrued DCP - Contribution	(11,998)	(2,227)	(9,771)
24121400 Accrued Bank Fees	(10,740)	741	(11,481)
24122500 Refund Rates Under Bond	(0)	216,783	(216,783)
24122700 Accrued Employer 401k Match	(8,677)	(1,913)	(6,764)
24123000 Accrued Incentive Plan Cash	(362,516)	(19,367)	(343,149)
24126000 Miscellaneous Deposits Payable	0	2,262	(2,262)
24133000 Unclaimed Customer Credits	(64,583)	137,919	(202,501)
24133200 Unclaimed A/P Checks	(43,589)	(24,571)	(19,018)
24142014 WH PR - ESPP	(16,237)	291	(16,528)
24150000 Operating Lease Current Liability	(1,176)	(248)	(928)
24161000 GRIR - Stock E (Materials)	(143,723)	81,884	(225,607)
24163000 GRIR - Stock C (Chemicals)	(53,349)	30,669	(84,017)
24164000 GRIR - Non-inventory	(152,586)	84,845	(237,431)
24171000 CFO Miscellaneous	(35)	(17)	(17)
24171006 CFO Customer Assistance Pledged	(551)	87	(638)
24172000 CFO Sales Tax	37,155,208	4,386,137	32,769,072
24172100 CFO Sales Tax - from CIS	(37,555,144)	(4,453,778)	(33,101,365)
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	0	0
24199700 Deferred Revenue - Current Portion	(294,920)	(6,814)	(288,106)
25299900 Advances for Construction - Current	(732,044)	(124,775)	(607,269)
Total: Other current liabilities	(3,209,932)	231,604	(3,441,536)
Total: Total Current Liabilities	(11,293,679)	4,769,351	(16,063,030)
25211000 Advances for Construction - NT Mains	(4,638,465)	(3,905,573)	(732,891)
25212000 Advances for Construction - NT Extension Deposits	(1,044,874)	5,672	(1,050,545)
25215000 Advances for Construction - NT Hydrants	(13,301)	7,461	(20,761)
25217000 Advances for Construction - NT WIP	(1,197,785)	2,222,137	(3,419,922)
25221000 Advances for Construction - Tax Mains	(1,371,596)	269,651	(1,641,248)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	0	(61,288)
25223000 Advances for Construction - Tax Services	(7,969)	(0)	(7,969)
25225000 Advances for Construction - Tax Hydrants	(31,447)	10,804	(42,251)
25227000 Advances for Construction - Tax WIP	49,695	152,810	(103,115)

Tennessee American Water Company
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Description	August 2023 Balance	Activity	Prior Year Balance
25241000 Advances for Construction - Tax Mains - FIT	(917,462)	269,651	(1,187,114)
25243000 Advances for Construction - Tax Services - FIT	0	(0)	0
25245000 Advances for Construction - Tax Hydrants - FIT	(31,427)	10,804	(42,231)
25280000 Advances for Construction - Reclassed to Current	732,044	124,775	607,269
Total: Customer Advances for construction	(8,533,875)	(831,807)	(7,702,068)
25310000 Deferred FIT Liability – Property	(42,885,639)	(44,367,292)	1,481,653
25310100 Deferred FIT Liability - FAS109 Increment	7,664,400	9,170,111	(1,505,712)
25311000 Deferred FIT Liability – Non Property	722,401	29,788,920	(29,066,519)
25311100 Deferred FIT Liability - FAS109 Gross Up	2,702,233	3,238,023	(535,790)
Total: Federal Deferred income taxes long-term	(31,796,605)	(2,170,238)	(29,626,367)
25320000 Deferred SIT Liability - Property	(10,050,911)	(10,050,814)	(97)
25320100 Deferred SIT Liability - FAS109 Increment	(63,219)	(61,715)	(1,504)
25321000 Deferred SIT Liability – Non Property	(302,596)	8,235,028	(8,537,624)
Total: State Deferred income taxes long-term	(10,416,726)	(1,877,501)	(8,539,225)
Total: Deferred income taxes	(42,213,331)	(4,047,739)	(38,165,592)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(13,521)	4,209	(17,730)
25510300 Unamortized ITC - 10%	0	5,274	(5,274)
Total: Deferred investment tax credits	(13,521)	9,483	(23,004)
25700000 Reg Liab - Cost of Removal	20,274,067	2,819,969	17,454,098
25710000 Reg Liab - Cost of Removal RWIP	1,277,896	20,806	1,257,090
Total: Reg liability - cost of removal	21,551,963	2,840,774	18,711,189
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(9,938,741)	5,212,434	(15,151,175)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	0	219,473	(219,473)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	0	(257,877)	257,877
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	(701,053)	(835,483)	134,430
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	0	(119,619)	119,619
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(4,728)	(15,160)	10,432
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	0	7,673	(7,673)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	0	10,982	(10,982)
25632400 Reg Liab - Refund to Customers	0	(0)	0
25633000 Reg Liab - Pension Tracker	(2,490,047)	(484,188)	(2,005,859)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(730,800)	84,600	(815,400)
25689900 Reg Liab - Other	1,773,794	1,168,507	605,288
Total: Other regulatory liabilities	(12,091,574)	4,991,341	(17,082,915)
Total: Regulatory liabilities	9,460,389	7,832,115	1,628,274
26212000 Accrued Pension Expense	2,998,240	615,756	2,382,484
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,998,240	615,756	2,382,484
26221000 Accrued OPEB	4,941,956	1,015,116	3,926,840
26221500 Accrued OPEB Medicare Subsidy	(157,037)	(16,084)	(140,952)
Total: Accrued postretirement benefit expense	4,784,920	999,032	3,785,888
26300000 Operating Lease Long-Term Liability	(431)	949	(1,380)
Total: Operating lease long-term liabilities	(431)	949	(1,380)
26580000 FIN 48 Reserve - Federal	(642,232)	(180,575)	(461,657)
26581000 FIN 48 Reserve - State	(1,998)	163,707	(165,705)
Total: Other tax liabilities	(644,230)	(16,868)	(627,362)

Tennessee American Water Company
Trial Balance as of August 31, 2023

Description	August 2023 Balance	Activity	Prior Year Balance
Total: Other Deferred Credits	(644,230)	(16,868)	(627,362)
Total: Regulatory and other long-term liabilities	(34,161,840)	4,560,920	(38,722,760)
27111000 CIAC-Non Taxable - Mains	(6,563,122)	(388,827)	(6,174,295)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,396)	0	(8,428,396)
27113000 CIAC-Non Taxable - Services	(496,083)	0	(496,083)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,374,526)	(24,922)	(1,349,603)
27116000 CIAC-Non Taxable - Other	(3,083,061)	0	(3,083,061)
27117000 CIAC-Non Taxable - WIP	(770,930)	(521,051)	(249,879)
27121000 CIAC-Taxable - Mains	(2,372,106)	3,507	(2,375,613)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,904,270)	(181,761)	(2,722,509)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(312,084)	2,330	(314,414)
27127000 CIAC-Taxable - WIP	0	199,929	(199,929)
27141000 CIAC-Taxable - Mains FIT	(438,310)	3,507	(441,818)
27143000 CIAC-Taxable - Services FIT	(79,617)	(37,550)	(42,067)
27145000 CIAC-Taxable - Hydrants FIT	(38,601)	993	(39,594)
27206000 Accum Amort CIAC - Other	5,933,136	260,800	5,672,336
27210000 Accum Amort CIAC - Tax	1,228,207	75,834	1,152,373
Total: Contributions in aid of construction	(19,924,978)	(607,211)	(19,317,767)
Total: CAPITAL AND LIABILITIES	(335,313,459)	(20,773,425)	(314,540,034)
Total: BALANCE SHEET (Net Profit)	6,321,782	(110,079)	6,431,862

Tennessee American Water Company
Trial Balance as of September 30, 2023

Description	September 2023 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	0	2,661,881
10130410 UPIS - Struct & Imp - Source of Supply	753,021	37,241	715,780
10130420 UPIS - Struct & Imp - Pumping	7,638,572	(166,944)	7,805,516
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	0	18,584,006
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,442,935	38,460	4,404,475
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	0	856,116
10131120 UPIS - Pumping Equipment - Electric	6,031,910	786,693	5,245,217
10131130 UPIS - Pumping Equipment - Diesel	92,937	0	92,937
10131150 UPIS - Pumping Equipment - Other	3,054,879	1,498,178	1,556,701
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,003	(195)	2,620,198
10132010 UPIS - Water Treatment Equipment	28,867,149	704,760	28,162,389
10133000 UPIS - Distribution Reservoirs & Standpipes	14,514,042	(246,350)	14,760,392
10133100 UPIS - Transmission & Distribution Mains	160,805,229	2,738,005	158,067,223
10133300 UPIS - Services	33,671,575	1,053,834	32,617,742
10133410 UPIS - Meters	22,712,813	5,012,616	17,700,198
10133420 UPIS - Meter Installations	24,748,500	2,247,251	22,501,249
10133500 UPIS - Hydrants	13,433,434	980,556	12,452,879
10133910 UPIS - Other P/E - Intangible	1,450,178	0	1,450,178
10133920 UPIS - Other P/E - Source of Supply	219,666	(3,786)	223,453
10134010 UPIS - Office Furniture & Equipment	11,192,731	(3,773,966)	14,966,697
10134100 UPIS - Transportation Equipment	7,040,464	(74,046)	7,114,510
10134300 UPIS - Tools-Shop-Garage Equipment	972,009	100,009	872,000
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,343,788	92,775	2,251,014
10134700 UPIS - Misc Equipment	661,647	184,316	477,331
10134800 UPIS - Other Tangible Property	17,776	0	17,776
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10630410 CCNC Struct & Imp - Source of Supply	2,200,149	2,158,891	41,258
10630420 CCNC Struct & Imp - Pumping	487,030	(89)	487,118
10630430 CCNC Struct & Imp - Water Treatment	14,262,145	255	14,261,890
10630450 CCNC Struct & Imp - Admin & General	902,623	180,794	721,829
10630600 CCNC Lake - River & Other	2,161,913	1,747,216	414,697
10630900 CCNC Supply Mains	1,349,045	0	1,349,045
10631120 CCNC Pumping Equipment - Electric	85,302	84,619	683
10631150 CCNC Pumping Equipment - Other	3,002,613	(2,038,453)	5,041,066
10631152 CCNC Pumping Equipment - Source of Supply	48,818	48,818	0
10632010 CCNC - Water Treatment Equipment - Non-Media	2,554,988	(102,188)	2,657,176
10633000 CCNC - Distribution Reservoirs & Standpipes	7,106,058	2,824,584	4,281,474
10633100 CCNC - Transmssn & Distr Mains Not Classified	30,740,757	10,891,073	19,849,684
10633300 CCNC Services	453,508	75,112	378,396

Tennessee American Water Company
Trial Balance as of September 30, 2023

Description	September 2023 Balance	Activity	Prior Year Balance
10633410 CCNC Meters	2,198,236	(3,385,454)	5,583,690
10633420 CCNC Meter Installations	956,188	(363,795)	1,319,983
10633500 CCNC Hydrants	601,365	34,504	566,860
10633910 CCNC Other P/E Intangible	130,284	0	130,284
10634010 CCNC Office Furniture & Equipment	6,262,148	2,333,697	3,928,451
10634100 CCNC Transportation Equipment Not Classified	3,371,307	1,234,576	2,136,731
10634300 CCNC Tools-Shop-Garage Equipment	51,303	(133,126)	184,428
10634400 CCNC Laboratory Equipment	7,804	7,804	0
10634600 CCNC Communication Equipment	307,675	285,997	21,679
10634700 CCNC Misc Equipment	303,545	241,285	62,260
10634800 CCNC Other Tangible Property	2,963	0	2,963
Total: Utility plant in service	452,708,208	27,335,527	425,372,680
10700000 CWIP	12,869,119	2,150,563	10,718,556
10780110 CWIP - Eng Clearing Dist Overhead	273,792	(172,348)	446,140
10780120 CWIP - Eng Clearing Eng Overhead	4,064	(4,293)	8,358
10780160 CWIP - Suspended CWIP Reserve	(58,939)	(36,114)	(22,825)
Total: Construction work in progress	13,088,036	1,937,807	11,150,229
10801000 Accum Depreciation - Utility Plant in Service	(182,727,221)	(11,551,152)	(171,176,069)
10802000 Accum Depreciation - Salvage/Scrap	(4,790,885)	(11,252)	(4,779,633)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	56,260,724	5,825,061	50,435,662
10810000 Accum Depreciation - Reg Asset	(35,891)	(1,116)	(34,775)
Total: Accumulated depreciation/amortization	(131,303,133)	(5,738,458)	(125,564,675)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	330,743,532	23,534,876	307,208,656
Total: Total Property Plant & Equipment	330,743,532	23,534,876	307,208,656
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	480	455	26
13140103 PNC AWCC-Accounts Payable - Outbound Check	(169,949)	(64,355)	(105,594)
13140303 PNC AWCC-Customer Refund - Outbound Check	(146,405)	(78,832)	(67,572)
13162600 US Bank TN - Main	264,677	139,273	125,403
13162609 US Bank TN - Credit Card and E-Checks	125,615	17,529	108,086
13162610 US Bank TN - Firstech Collections	676	534	141
13162611 US Bank TN - FiServ (aka CheckFree)	5,892	1,784	4,108
13162612 US Bank TN - Penn Credit	532	83	449
13162614 US Bank TN -Credit Card & Echeck E-Returns	(114)	199	(313)
13162616 US Bank TN - NSF Return Payments	264	247	17
Total: Cash and cash equivalents	83,669	16,918	66,751
14100000 A/R - Customer - CIS Reconciliation	5,069,741	(424,939)	5,494,681
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	684,786	254,959	429,827
14100998 A/R - Customer - Payment Clarification	(198,220)	(197,508)	(712)
14100999 A/R - Customer - Returns Clarification	21	21	0
Total: Utility customer accounts receivable	5,556,329	(367,467)	5,923,796
14510000 A/R Assoc Cos - Miscellaneous	0	72,441	(72,441)
14510041 AR Associated Cos - AWI IOTG	153,238	(7,069)	160,307
14510100 A/R Assoc Cos - Reconciliation Account	76,657	3,641	73,016

Tennessee American Water Company
Trial Balance as of September 30, 2023

Description	September 2023 Balance	Activity	Prior Year Balance
14511001 A/R Assoc Cos - Service Company Bill	64,915	(87,914)	152,829
Total: Receivable from affiliated companies	294,810	(18,901)	313,711
14610000 Misc A/R - Reconciliation Account	566,950	(10,073)	577,023
14611000 Misc A/R - Manual	(13,765)	(15,211)	1,447
14611500 Misc A/R - Medicare Subsidy	43,893	(7,191)	51,084
Total: Other receivables, net	597,079	(32,475)	629,554
14300000 Allowance for Uncollectible Accounts	(461,572)	(18,143)	(443,429)
14620000 Misc Rec - Allow for Uncollectible Accts	(21,351)	7,682	(29,033)
Total: Allowance for uncollectible accounts	(482,923)	(10,461)	(472,462)
Total: Accounts receivable, net	5,965,295	(429,305)	6,394,600
14400000 Unbilled Utility Revenue	2,651,066	359,714	2,291,352
Total: Unbilled revenues	2,651,066	359,714	2,291,352
15110000 Inventory - Plant Material	1,050,408	(41,313)	1,091,721
15130000 Inventory - Chemicals	369,239	52,067	317,172
15140000 Inventory - Other Materials & Supplies	44,327	39,014	5,314
Total: Materials and supplies	1,463,974	49,767	1,414,207
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	767,665	56,447	711,218
16520000 Prepaid Insurance	119,255	4,315	114,940
16530000 Prepaid PUC/PSC Assessment	60,863	2,337	58,526
16550000 Prepaid Other	56,038	3,818	52,220
16550010 Prepaid Other - Global	44,280	493	43,788
16611000 Reg Asset-OCA tax	0	(171,892)	171,892
16612000 Reg Asset-OCA non tax	0	0	0
16613000 Reg Asset - Deferred Vacation Pay	169,938	169,938	0
Total: Other current assets	1,233,040	65,457	1,167,583
Total: Total Current Assets	11,397,045	62,551	11,334,494
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	0	(83,985)	83,985
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	0	(1,791,386)	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	260,690	260,462	228
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	0	(145,733)	145,733
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	84,529	84,456	74
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	0	(2,622,468)	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	0	703,889	(703,889)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	(345,220)	3,594,765	(3,939,985)
Total: Reg asset - income tax recovery	0	0	0
18661000 Reg Asset - Unamortized Debt Exp	6,605	(2,261)	8,866
18661500 Reg Asset - Unamortized Debt Exp Interco	1,385,039	126,355	1,258,683
Total: Debt and preferred stock expense	1,391,644	124,095	1,267,549
18680000 Reg Asset - Cost of Removal	20,340,018	2,783,790	17,556,228
18680100 Reg Asset - Cost of Removal - RWIP	1,315,609	14,154	1,301,456
18680162 Reg Asset- Closing Costs	7,250	(1,000)	8,250
18680218 Regulatory Asset - "Make-Whole Premium"	137,824	(28,032)	165,857
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18689900 Reg Asset - Other	1,823,973	1,062,591	761,382
Total: Other regulatory assets	23,657,553	3,831,503	19,826,050
Total: Regulatory assets	25,049,196	3,955,597	21,093,599

Tennessee American Water Company
Trial Balance as of September 30, 2023

Description	September 2023 Balance	Activity	Prior Year Balance
18750000 LT Asset - Operating Lease Right-Of-Use Assets	1,302	(930)	2,231
Total: Operating lease right-of-use assets	1,302	(930)	2,231
18715700 LT Asset - Unamort Debt In - Revolver	86,623	47,363	39,260
Total: Other long-term assets	86,623	47,363	39,260
Total: Total Regulatory and other long-term assets	25,137,121	4,002,031	21,135,090
Total: ASSETS	367,277,697	27,599,458	339,678,240
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(86,809,406)	(11,094,720)	(75,714,685)
Total: Paid-in capital	(86,809,406)	(11,094,720)	(75,714,685)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(47,191,911)	(3,360,477)	(43,831,434)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(46,700,943)	(3,360,477)	(43,340,466)
Total: Total Stockholders' equity	(147,264,584)	(14,455,197)	(132,809,387)
Total: Total Equity	(147,264,584)	(14,455,197)	(132,809,387)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	310,350	(19,120)	329,469
22115000 Bonds - Interco	(106,280,321)	(4,000,000)	(102,280,321)
Total: Long-term debt	(111,669,971)	(4,019,120)	(107,650,852)
Total: Total Long-term debt	(111,669,971)	(4,019,120)	(107,650,852)
Total: Total Capitalization	(258,934,555)	(18,474,317)	(240,460,239)
23121000 In-House Cash Center Bank	(1,432,222)	5,301,359	(6,733,582)
23121001 IHC Clearing - Outgoing Payment	33,601	237,941	(204,340)
Total: In-House Cash Center	(1,398,622)	5,539,300	(6,937,922)
Total: Short-term debt	(1,398,622)	5,539,300	(6,937,922)
22215000 Current Portion LTD - Interco	(11,000,000)	(11,000,000)	0
Total: Current portion long-term debt	(11,000,000)	(11,000,000)	0
23410000 A/P - Reconciliation Account	(2,031,159)	615,730	(2,646,888)
23410100 A/P Intercompany - Reconciliation Account	(243,667)	96,799	(340,466)
23411001 PCard Distributed-Clearing for Mapped Transactions	(9,649)	3,184	(12,834)
23430000 A/P - Miscellaneous	(48,000)	(48,000)	0
23430600 A/P - Workbasket Accrual	(85,425)	532	(85,957)
23430700 A/P - Pcard Accrual	(26,846)	(5,962)	(20,884)
23431000 A/P - Misc Global	(131,905)	(26,173)	(105,732)
23435000 A/P - Project Cost Accrual	(2,944,458)	(1,009,942)	(1,934,516)
23436000 A/P-GRIR Capital Services	85,388	121,893	(36,505)
Total: Accounts payable external	(5,435,721)	(251,939)	(5,183,781)
23510000 A/P Associated Companies	(1,127)	(72,714)	71,587
23520000 A/P Associated Companies - Service Co Bill	890,883	46,961	843,923
23520001 A/P Associated Companies - Service Co Bill	(1,184,704)	(145,560)	(1,039,145)
23530400 CFO - WLPP/SLPP/InHome Interco	(38)	(29)	(9)
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	0	38
23540100 CFO - SLPP Receivable Interco	(26)	39	(65)
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	0	26
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	0	259	(259)
Total: Accounts payable associated companies	(294,948)	(171,044)	(123,903)

Tennessee American Water Company
Trial Balance as of September 30, 2023

Description	September 2023 Balance	Activity	Prior Year Balance
Total: Accounts payable	(5,730,668)	(422,983)	(5,307,685)
23621000 Accrued FIT - Current Year	381,838	1,844,198	(1,462,360)
23622000 Accrued FIT - Prior Years	656,394	596,762	59,632
Total: Accrued federal income tax	1,038,232	2,440,960	(1,402,727)
23631000 Accrued SIT - Current Year	141,202	(89,652)	230,854
23632000 Accrued SIT - Prior Years	871,059	(15,587)	886,646
Total: Accrued state income tax	1,012,261	(105,239)	1,117,500
23652000 Accrued Tax - FUTA	(21)	0	(21)
23652100 Accrued Tax - FICA	(55,700)	(4,939)	(50,761)
23653000 Accrued Tax - Property Tax	(3,058,055)	(308,155)	(2,749,900)
23654000 Accrued Tax - Use Tax	(2,687)	5,517	(8,204)
23654110 Accrued Tax - Franchise Tax - Income Tax	(1,344,022)	(62,923)	(1,281,099)
Total: Other accrued taxes	(4,460,486)	(370,501)	(4,089,985)
Total: Taxes accrued, including income taxes	(2,409,993)	1,965,219	(4,375,212)
23720000 Interest Accrued - LTD	(37,240)	0	(37,240)
23730000 Interest Accrued - LTD Interco	(963,702)	(53,410)	(910,293)
Total: Interest accrued	(1,000,942)	(53,410)	(947,533)
24120000 Accrued Vacation Pay	(169,938)	1,954	(171,892)
24120200 Accrued Power	(187,112)	4,270	(191,383)
24120300 Accrued Legal	(18,137)	14,338	(32,475)
24120600 Accrued Wages	(327,560)	(31,523)	(296,037)
24120699 Accrued Wages - Net Adjustments Clearing	(1,704)	(930)	(774)
24120700 Accrued Insurance	0	7,547	(7,547)
24121000 Accrued Waste Disposal	(75,344)	(23,591)	(51,754)
24121100 Accrued Retiree Medical	(22,950)	(900)	(22,050)
24121200 Accrued DCP - Contribution	(12,984)	(708)	(12,276)
24121400 Accrued Bank Fees	(14,677)	2,771	(17,448)
24122500 Refund Rates Under Bond	(0)	158,252	(158,252)
24122700 Accrued Employer 401k Match	(9,297)	(846)	(8,450)
24123000 Accrued Incentive Plan Cash	(407,830)	(21,788)	(386,043)
24133000 Unclaimed Customer Credits	(68,158)	117,144	(185,302)
24133200 Unclaimed A/P Checks	(43,589)	(24,571)	(19,018)
24142014 WH PR - ESPP	(4,850)	(59)	(4,791)
24150000 Operating Lease Current Liability	(1,258)	(328)	(930)
24161000 GRIR - Stock E (Materials)	(69,834)	17,975	(87,810)
24163000 GRIR - Stock C (Chemicals)	(102,229)	6,075	(108,304)
24164000 GRIR - Non-inventory	(385,451)	(140,013)	(245,438)
24171000 CFO Miscellaneous	(35)	(17)	(17)
24171006 CFO Customer Assistance Pledged	(595)	(547)	(48)
24172000 CFO Sales Tax	37,553,966	4,452,601	33,101,365
24172100 CFO Sales Tax - from CIS	(37,944,895)	(4,471,182)	(33,473,713)
24199900 Other Current Liabilities - Non-Tax Sensitive	(684,786)	(254,959)	(429,827)
25299900 Advances for Construction - Current	(793,573)	(151,676)	(641,898)
Total: Other current liabilities	(3,792,822)	(340,710)	(3,452,113)
Total: Total Current Liabilities	(25,333,047)	(4,312,584)	(21,020,463)
25211000 Advances for Construction - NT Mains	(4,672,147)	(3,939,256)	(732,891)
25212000 Advances for Construction - NT Extension Deposits	(1,043,958)	6,587	(1,050,545)

Tennessee American Water Company
Trial Balance as of September 30, 2023

Description	September 2023 Balance	Activity	Prior Year Balance
25215000 Advances for Construction - NT Hydrants	(13,469)	7,292	(20,761)
25217000 Advances for Construction - NT WIP	(1,489,614)	2,241,095	(3,730,709)
25221000 Advances for Construction - Tax Mains	(1,371,596)	267,050	(1,638,646)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	0	(61,288)
25223000 Advances for Construction - Tax Services	(7,969)	0	(7,969)
25225000 Advances for Construction - Tax Hydrants	(31,447)	11,079	(42,527)
25227000 Advances for Construction - Tax WIP	130,027	237,794	(107,767)
25241000 Advances for Construction - Tax Mains - FIT	(917,462)	267,050	(1,184,512)
25245000 Advances for Construction - Tax Hydrants - FIT	(31,427)	11,079	(42,507)
25280000 Advances for Construction - Reclassed to Current	793,573	151,676	641,898
Total: Customer Advances for construction	(8,716,779)	(738,553)	(7,978,226)
25310000 Deferred FIT Liability – Property	(42,977,169)	(44,647,055)	1,669,886
25310100 Deferred FIT Liability - FAS109 Increment	7,628,128	9,322,875	(1,694,747)
25311000 Deferred FIT Liability – Non Property	767,978	29,910,421	(29,142,443)
25311100 Deferred FIT Liability - FAS109 Gross Up	2,689,864	3,292,920	(603,056)
Total: Federal Deferred income taxes long-term	(31,891,199)	(2,120,839)	(29,770,360)
25320000 Deferred SIT Liability - Property	(10,102,898)	(10,102,789)	(109)
25320100 Deferred SIT Liability - FAS109 Increment	(61,738)	(60,045)	(1,692)
25321000 Deferred SIT Liability – Non Property	(302,413)	8,260,941	(8,563,354)
Total: State Deferred income taxes long-term	(10,467,049)	(1,901,893)	(8,565,156)
Total: Deferred income taxes	(42,358,247)	(4,022,732)	(38,335,515)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(12,994)	4,239	(17,233)
25510300 Unamortized ITC - 10%	0	2,040	(2,040)
Total: Deferred investment tax credits	(12,994)	6,279	(19,273)
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(9,896,332)	5,016,574	(14,912,906)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	0	219,473	(219,473)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	0	(257,877)	257,877
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	(700,413)	(851,720)	151,307
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	0	(119,619)	119,619
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(4,543)	(16,285)	11,742
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	0	7,673	(7,673)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	0	10,982	(10,982)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	345,220	(3,594,765)	3,939,985
25633000 Reg Liab - Pension Tracker	(2,519,979)	(452,220)	(2,067,759)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(730,800)	84,600	(815,400)
Total: Other regulatory liabilities	(13,506,846)	46,815	(13,553,661)
Total: Regulatory liabilities	(13,506,846)	46,815	(13,553,661)
26212000 Accrued Pension Expense	2,974,147	550,693	2,423,454
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,974,147	550,693	2,423,454
26221000 Accrued OPEB	5,008,581	980,087	4,028,494
26221500 Accrued OPEB Medicare Subsidy	(159,057)	(15,961)	(143,095)
Total: Accrued postretirement benefit expense	4,849,525	964,126	3,885,399
26300000 Operating Lease Long-Term Liability	(351)	951	(1,302)
Total: Operating lease long-term liabilities	(351)	951	(1,302)
26580000 FIN 48 Reserve - Federal	(695,717)	(118,281)	(577,436)

Tennessee American Water Company
Trial Balance as of September 30, 2023

Description	September 2023 Balance	Activity	Prior Year Balance
26581000 FIN 48 Reserve - State	(2,818)	211,830	(214,648)
Total: Other tax liabilities	(698,536)	93,549	(792,084)
Total: Other Deferred Credits	(698,536)	93,549	(792,084)
Total: Regulatory and other long-term liabilities	(57,470,081)	(3,098,873)	(54,371,208)
27111000 CIAC-Non Taxable - Mains	(6,563,122)	(388,827)	(6,174,295)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,957)	(561)	(8,428,396)
27113000 CIAC-Non Taxable - Services	(496,083)	0	(496,083)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,374,526)	(24,922)	(1,349,603)
27116000 CIAC-Non Taxable - Other	(3,083,061)	0	(3,083,061)
27117000 CIAC-Non Taxable - WIP	(779,170)	(503,532)	(275,638)
27121000 CIAC-Taxable - Mains	(2,372,106)	3,507	(2,375,613)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,911,526)	(189,017)	(2,722,509)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(312,084)	2,330	(314,414)
27127000 CIAC-Taxable - WIP	0	214,437	(214,437)
27141000 CIAC-Taxable - Mains FIT	(438,310)	3,507	(441,818)
27143000 CIAC-Taxable - Services FIT	(83,068)	(41,001)	(42,067)
27145000 CIAC-Taxable - Hydrants FIT	(38,601)	993	(39,594)
27206000 Accum Amort CIAC - Other	5,955,073	261,253	5,693,820
27210000 Accum Amort CIAC - Tax	1,234,604	76,023	1,158,581
Total: Contributions in aid of construction	(19,916,151)	(585,809)	(19,330,342)
Total: CAPITAL AND LIABILITIES	(361,653,835)	(26,471,582)	(335,182,253)
Total: BALANCE SHEET (Net Profit)	5,623,863	1,127,876	4,495,987

Tennessee American Water Company
Trial Balance as of October 31, 2023

Description	October 2023 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	0	2,661,881
10130410 UPIS - Struct & Imp - Source of Supply	753,021	37,241	715,780
10130420 UPIS - Struct & Imp - Pumping	7,638,572	(166,944)	7,805,516
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	0	18,584,006
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,442,935	38,460	4,404,475
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	0	856,116
10131120 UPIS - Pumping Equipment - Electric	6,029,220	784,003	5,245,217
10131130 UPIS - Pumping Equipment - Diesel	92,937	0	92,937
10131150 UPIS - Pumping Equipment - Other	3,053,526	1,496,825	1,556,701
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,003	(195)	2,620,198
10132010 UPIS - Water Treatment Equipment	28,866,741	705,355	28,161,386
10133000 UPIS - Distribution Reservoirs & Standpipes	14,514,042	(246,350)	14,760,392
10133100 UPIS - Transmission & Distribution Mains	163,134,874	4,958,644	158,176,231
10133300 UPIS - Services	33,671,575	1,053,834	32,617,742
10133410 UPIS - Meters	24,741,023	7,041,816	17,699,207
10133420 UPIS - Meter Installations	24,862,333	2,361,084	22,501,249
10133500 UPIS - Hydrants	13,451,611	999,911	12,451,701
10133910 UPIS - Other P/E - Intangible	1,450,178	0	1,450,178
10133920 UPIS - Other P/E - Source of Supply	222,411	(1,041)	223,453
10134010 UPIS - Office Furniture & Equipment	11,192,802	(3,774,735)	14,967,537
10134100 UPIS - Transportation Equipment	7,327,804	213,294	7,114,510
10134300 UPIS - Tools-Shop-Garage Equipment	971,826	99,826	872,000
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,343,788	92,775	2,251,014
10134700 UPIS - Misc Equipment	661,647	184,316	477,331
10134800 UPIS - Other Tangible Property	17,776	0	17,776
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10300000 Property Held Future	10,000	10,000	0
10630410 CCNC Struct & Imp - Source of Supply	2,322,846	2,281,587	41,258
10630420 CCNC Struct & Imp - Pumping	487,030	(89)	487,118
10630430 CCNC Struct & Imp - Water Treatment	14,262,145	255	14,261,890
10630450 CCNC Struct & Imp - Admin & General	902,653	180,825	721,829
10630600 CCNC Lake - River & Other	2,161,913	1,747,216	414,697
10630900 CCNC Supply Mains	1,349,045	0	1,349,045
10631120 CCNC Pumping Equipment - Electric	85,302	75,987	9,316
10631150 CCNC Pumping Equipment - Other	3,009,365	(2,096,966)	5,106,330
10631152 CCNC Pumping Equipment - Source of Supply	97,351	48,516	48,835
10632010 CCNC - Water Treatment Equipment - Non-Media	2,602,559	(56,149)	2,658,708
10633000 CCNC - Distribution Reservoirs & Standpipes	7,124,652	2,831,671	4,292,981
10633100 CCNC - Transmssn & Distr Mains Not Classified	29,319,033	9,430,486	19,888,547

Tennessee American Water Company
Trial Balance as of October 31, 2023

Description	October 2023 Balance	Activity	Prior Year Balance
10633300 CCNC Services	526,610	116,600	410,010
10633410 CCNC Meters	748,190	(4,957,954)	5,706,144
10633420 CCNC Meter Installations	525,918	(957,380)	1,483,298
10633500 CCNC Hydrants	627,942	(142,726)	770,668
10633910 CCNC Other P/E Intangible	130,284	0	130,284
10634010 CCNC Office Furniture & Equipment	6,439,940	2,329,104	4,110,836
10634100 CCNC Transportation Equipment Not Classified	3,214,958	1,000,954	2,214,004
10634300 CCNC Tools-Shop-Garage Equipment	54,857	(138,416)	193,272
10634400 CCNC Laboratory Equipment	7,804	7,804	0
10634600 CCNC Communication Equipment	318,757	295,778	22,979
10634700 CCNC Misc Equipment	303,545	187,798	115,746
10634800 CCNC Other Tangible Property	2,963	0	2,963
Total: Utility plant in service	454,571,488	28,073,018	426,498,470
10700000 CWIP	15,282,330	3,709,888	11,572,441
10780110 CWIP - Eng Clearing Dist Overhead	130,702	(292,675)	423,377
10780120 CWIP - Eng Clearing Eng Overhead	4,064	(3,748)	7,812
10780160 CWIP - Suspended CWIP Reserve	(58,939)	(36,114)	(22,825)
Total: Construction work in progress	15,358,157	3,377,351	11,980,806
10801000 Accum Depreciation - Utility Plant in Service	(183,704,908)	(11,589,105)	(172,115,803)
10802000 Accum Depreciation - Salvage/Scrap	(4,833,092)	(53,207)	(4,779,885)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	56,265,357	5,823,862	50,441,495
10810000 Accum Depreciation - Reg Asset	(35,984)	(1,116)	(34,868)
Total: Accumulated depreciation/amortization	(132,318,487)	(5,819,565)	(126,498,921)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	333,861,579	25,630,804	308,230,776
Total: Total Property Plant & Equipment	333,861,579	25,630,804	308,230,776
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	32	32	0
13140103 PNC AWCC-Accounts Payable - Outbound Check	(184,683)	(74,165)	(110,518)
13140303 PNC AWCC-Customer Refund - Outbound Check	(161,214)	(89,623)	(71,591)
13162600 US Bank TN - Main	265,935	(140,270)	406,205
13162608 US Bank TN - Customer Lockbox	0	(100)	100
13162609 US Bank TN - Credit Card and E-Checks	100,884	(71,786)	172,670
13162610 US Bank TN - Firstech Collections	639	(467)	1,106
13162611 US Bank TN - FiServ (aka CheckFree)	1,148	(10,076)	11,224
13162612 US Bank TN - Penn Credit	0	(450)	450
13162613 US Bank TN - E-Return - US Bank	44	44	0
13162614 US Bank TN -Credit Card & Echeck E-Returns	1,726	721	1,005
13162616 US Bank TN - NSF Return Payments	21	234	(213)
13199004 Cash Clearing - MI's	0	2,278	(2,278)
Total: Cash and cash equivalents	26,531	(383,628)	410,159
14100000 A/R - Customer - CIS Reconciliation	4,357,315	(649,754)	5,007,068
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	684,786	684,786	0
14100998 A/R - Customer - Payment Clarification	(10,622)	(10,622)	0
14100999 A/R - Customer - Returns Clarification	0	(155)	155

Tennessee American Water Company
Trial Balance as of October 31, 2023

Description	October 2023 Balance	Activity	Prior Year Balance
Total: Utility customer accounts receivable	5,031,479	24,256	5,007,223
14510000 A/R Assoc Cos - Miscellaneous	0	(616)	616
14510041 AR Associated Cos - AWI IOTG	153,238	(7,069)	160,307
14510100 A/R Assoc Cos - Reconciliation Account	95,310	37,369	57,941
14511001 A/R Assoc Cos - Service Company Bill	47,986	(13,578)	61,563
Total: Receivable from affiliated companies	296,534	16,106	280,428
14610000 Misc A/R - Reconciliation Account	561,629	(15,399)	577,028
14611000 Misc A/R - Manual	1,478	28	1,450
14611500 Misc A/R - Medicare Subsidy	45,913	(7,314)	53,227
Total: Other receivables, net	609,020	(22,685)	631,705
14300000 Allowance for Uncollectible Accounts	(349,742)	96,833	(446,575)
14620000 Misc Rec - Allow for Uncollectible Accts	(21,351)	7,682	(29,033)
Total: Allowance for uncollectible accounts	(371,093)	104,515	(475,608)
Total: Accounts receivable, net	5,565,939	122,192	5,443,748
14400000 Unbilled Utility Revenue	2,645,736	274,030	2,371,707
Total: Unbilled revenues	2,645,736	274,030	2,371,707
15110000 Inventory - Plant Material	1,054,631	(176,652)	1,231,283
15130000 Inventory - Chemicals	255,359	(93,858)	349,216
15140000 Inventory - Other Materials & Supplies	0	(1,310)	1,310
Total: Materials and supplies	1,309,990	(271,819)	1,581,809
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	682,369	50,175	632,194
16520000 Prepaid Insurance	198,819	40,882	157,938
16530000 Prepaid PUC/PSC Assessment	40,575	1,558	39,017
16550000 Prepaid Other	39,934	3,018	36,916
16550010 Prepaid Other - Global	39,077	(1,562)	40,639
16613000 Reg Asset - Deferred Vacation Pay	292,189	292,189	0
Total: Other current assets	1,307,964	386,260	921,704
Total: Total Current Assets	10,856,162	127,034	10,729,127
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	0	(83,985)	83,985
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	0	(1,791,386)	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	265,858	265,599	259
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	0	(145,733)	145,733
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	86,197	86,202	(5)
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	0	(2,622,468)	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	0	703,889	(703,889)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	(352,054)	(352,054)	0
Total: Reg asset - income tax recovery	0	(3,939,936)	3,939,936
18661000 Reg Asset - Unamortized Debt Exp	6,417	(2,261)	8,678
18661500 Reg Asset - Unamortized Debt Exp Interco	1,372,299	120,080	1,252,219
Total: Debt and preferred stock expense	1,378,716	117,819	1,260,897
18680101 Reg Asset - Deferred Vacation Pay	0	(289,441)	289,441
18680162 Reg Asset- Closing Costs	7,167	(1,000)	8,167
18680218 Regulatory Asset - "Make-Whole Premium"	135,488	(28,032)	163,521
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
Total: Other regulatory assets	175,533	(318,473)	494,006
Total: Regulatory assets	1,554,249	(4,140,590)	5,694,839

Tennessee American Water Company
Trial Balance as of October 31, 2023

Description	October 2023 Balance	Activity	Prior Year Balance
18750000 LT Asset - Operating Lease Right-Of-Use Assets	1,223	(932)	2,155
Total: Operating lease right-of-use assets	1,223	(932)	2,155
18715700 LT Asset - Unamort Debt In - Revolver	107,390	14,519	92,871
Total: Other long-term assets	107,390	14,519	92,871
Total: Total Regulatory and other long-term assets	1,662,862	(4,127,003)	5,789,864
Total: ASSETS	346,380,603	21,630,835	324,749,767
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(86,809,406)	(11,094,720)	(75,714,685)
Total: Paid-in capital	(86,809,406)	(11,094,720)	(75,714,685)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(47,191,911)	(3,360,477)	(43,831,434)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(46,700,943)	(3,360,477)	(43,340,466)
Total: Total Stockholders' equity	(147,264,584)	(14,455,197)	(132,809,387)
Total: Total Equity	(147,264,584)	(14,455,197)	(132,809,387)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	308,756	(19,120)	327,876
22115000 Bonds - Interco	(106,280,321)	(4,000,000)	(102,280,321)
Total: Long-term debt	(111,671,565)	(4,019,120)	(107,652,445)
Total: Total Long-term debt	(111,671,565)	(4,019,120)	(107,652,445)
Total: Total Capitalization	(258,936,149)	(18,474,317)	(240,461,832)
23121000 In-House Cash Center Bank	(717,401)	5,816,854	(6,534,255)
23121001 IHC Clearing - Outgoing Payment	(62,966)	85,157	(148,123)
Total: In-House Cash Center	(780,367)	5,902,010	(6,682,378)
Total: Short-term debt	(780,367)	5,902,010	(6,682,378)
22215000 Current Portion LTD - Interco	(11,000,000)	(11,000,000)	0
Total: Current portion long-term debt	(11,000,000)	(11,000,000)	0
23410000 A/P - Reconciliation Account	(2,427,174)	(147,037)	(2,280,138)
23410100 A/P Intercompany - Reconciliation Account	(277,330)	(12,689)	(264,641)
23411001 PCard Distributed-Clearing for Mapped Transactions	(7,735)	(280)	(7,455)
23430000 A/P - Miscellaneous	(60,000)	(60,000)	0
23430600 A/P - Workbasket Accrual	(15,350)	29,628	(44,977)
23430700 A/P - Pcard Accrual	(29,814)	(5,730)	(24,084)
23431000 A/P - Misc Global	(156,407)	(15,304)	(141,103)
23435000 A/P - Project Cost Accrual	(3,201,707)	(1,555,227)	(1,646,480)
23436000 A/P-GRIR Capital Services	87,947	143,608	(55,661)
Total: Accounts payable external	(6,087,570)	(1,623,031)	(4,464,540)
23510000 A/P Associated Companies	(3,726)	(3,726)	0
23520000 A/P Associated Companies - Service Co Bill	1,119,790	233,474	886,316
23520001 A/P Associated Companies - Service Co Bill	(949,488)	(2,602)	(946,886)
23530400 CFO - WLPP/SLPP/InHome Interco	(38)	(29)	(9)
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	0	38
23540100 CFO - SLPP Receivable Interco	(26)	39	(65)
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	0	26
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	0	259	(259)
Total: Accounts payable associated companies	166,576	227,415	(60,839)

Tennessee American Water Company
Trial Balance as of October 31, 2023

Description	October 2023 Balance	Activity	Prior Year Balance
Total: Accounts payable	(5,920,995)	(1,395,616)	(4,525,379)
23621000 Accrued FIT - Current Year	126,857	1,081,677	(954,820)
23622000 Accrued FIT - Prior Years	656,394	596,762	59,632
Total: Accrued federal income tax	783,251	1,678,439	(895,188)
23631000 Accrued SIT - Current Year	61,322	(145,877)	207,199
23632000 Accrued SIT - Prior Years	871,059	713,246	157,813
Total: Accrued state income tax	932,381	567,369	365,011
23652000 Accrued Tax - FUTA	(21)	0	(21)
23652100 Accrued Tax - FICA	(67,528)	(12,285)	(55,243)
23653000 Accrued Tax - Property Tax	(3,388,132)	(338,670)	(3,049,462)
23654000 Accrued Tax - Use Tax	(8,631)	(2,337)	(6,294)
23654110 Accrued Tax - Franchise Tax - Income Tax	(1,408,022)	(762,000)	(646,022)
Total: Other accrued taxes	(4,872,335)	(1,115,292)	(3,757,043)
Total: Taxes accrued, including income taxes	(3,156,703)	1,130,516	(4,287,219)
23720000 Interest Accrued - LTD	(74,480)	0	(74,480)
23730000 Interest Accrued - LTD Interco	(1,273,641)	(98,722)	(1,174,919)
Total: Interest accrued	(1,348,121)	(98,722)	(1,249,399)
24120000 Accrued Vacation Pay	(292,189)	(2,748)	(289,441)
24120200 Accrued Power	(189,612)	16,540	(206,152)
24120300 Accrued Legal	(48,785)	5,739	(54,524)
24120600 Accrued Wages	(383,144)	(62,605)	(320,539)
24120699 Accrued Wages - Net Adjustments Clearing	(1,917)	(885)	(1,032)
24120700 Accrued Insurance	0	16,216	(16,216)
24121000 Accrued Waste Disposal	(62,215)	(34,865)	(27,350)
24121100 Accrued Retiree Medical	(25,539)	(1,034)	(24,504)
24121200 Accrued DCP - Contribution	(15,591)	(1,869)	(13,722)
24121400 Accrued Bank Fees	(14,460)	5,026	(19,486)
24122500 Refund Rates Under Bond	(0)	86,040	(86,040)
24122700 Accrued Employer 401k Match	(11,088)	(1,847)	(9,241)
24123000 Accrued Incentive Plan Cash	(453,145)	(24,209)	(428,936)
24133000 Unclaimed Customer Credits	(28,534)	86,074	(114,608)
24133200 Unclaimed A/P Checks	(43,284)	(24,288)	(18,997)
24142014 WH PR - ESPP	(9,740)	(143)	(9,596)
24150000 Operating Lease Current Liability	(1,341)	(409)	(932)
24161000 GRIR - Stock E (Materials)	(43,985)	65,505	(109,490)
24163000 GRIR - Stock C (Chemicals)	(94,950)	14,889	(109,839)
24164000 GRIR - Non-inventory	(413,408)	(83,969)	(329,439)
24171000 CFO Miscellaneous	0	17	(17)
24171006 CFO Customer Assistance Pledged	(638)	(542)	(96)
24172000 CFO Sales Tax	37,944,895	4,471,207	33,473,688
24172100 CFO Sales Tax - from CIS	(38,400,969)	(4,512,131)	(33,888,838)
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	0	0
24199700 Deferred Revenue - Current Portion	(575,432)	15,603	(591,035)
24199900 Other Current Liabilities - Non-Tax Sensitive	(684,786)	(684,786)	0
25299900 Advances for Construction - Current	(793,573)	(151,676)	(641,898)
Total: Other current liabilities	(4,643,430)	(805,149)	(3,838,281)
Total: Total Current Liabilities	(26,849,616)	(6,266,960)	(20,582,656)

Tennessee American Water Company
Trial Balance as of October 31, 2023

Description	October 2023 Balance	Activity	Prior Year Balance
25211000 Advances for Construction - NT Mains	(4,506,416)	(3,630,426)	(875,990)
25212000 Advances for Construction - NT Extension Deposits	(1,041,622)	8,923	(1,050,545)
25215000 Advances for Construction - NT Hydrants	(12,440)	8,322	(20,761)
25217000 Advances for Construction - NT WIP	(1,420,713)	2,133,097	(3,553,810)
25221000 Advances for Construction - Tax Mains	(1,385,702)	252,099	(1,637,801)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	0	(61,288)
25223000 Advances for Construction - Tax Services	(7,969)	0	(7,969)
25225000 Advances for Construction - Tax Hydrants	(33,351)	9,137	(42,488)
25227000 Advances for Construction - Tax WIP	0	103,115	(103,115)
25241000 Advances for Construction - Tax Mains - FIT	(922,550)	261,118	(1,183,667)
25245000 Advances for Construction - Tax Hydrants - FIT	(33,331)	9,137	(42,468)
25280000 Advances for Construction - Reclassed to Current	793,573	151,676	641,898
Total: Customer Advances for construction	(8,631,809)	(693,802)	(7,938,006)
25310000 Deferred FIT Liability – Property	(43,049,744)	(44,946,822)	1,897,078
25310100 Deferred FIT Liability - FAS109 Increment	7,597,398	9,520,322	(1,922,925)
25311000 Deferred FIT Liability – Non Property	767,195	30,135,634	(29,368,440)
25311100 Deferred FIT Liability - FAS109 Gross Up	2,678,584	3,362,805	(684,221)
Total: Federal Deferred income taxes long-term	(32,006,568)	(1,928,061)	(30,078,507)
25320000 Deferred SIT Liability - Property	(10,144,119)	(10,143,995)	(124)
25320100 Deferred SIT Liability - FAS109 Increment	(61,780)	(59,943)	(1,837)
25321000 Deferred SIT Liability – Non Property	(296,488)	8,355,283	(8,651,771)
Total: State Deferred income taxes long-term	(10,502,387)	(1,848,655)	(8,653,732)
Total: Deferred income taxes	(42,508,955)	(3,776,716)	(38,732,239)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(12,576)	4,058	(16,634)
25510300 Unamortized ITC - 10%	0	(1,864)	1,864
Total: Deferred investment tax credits	(12,576)	2,194	(14,770)
25700000 Reg Liab - Cost of Removal	21,256,736	3,645,437	17,611,300
25710000 Reg Liab - Cost of Removal RWIP	667,823	(679,992)	1,347,815
Total: Reg liability - cost of removal	21,924,559	2,965,444	18,959,115
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(9,862,705)	4,762,616	(14,625,321)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	0	219,473	(219,473)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	0	(257,877)	257,877
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	(698,969)	(870,646)	171,677
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	0	(119,619)	119,619
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(4,395)	(17,718)	13,323
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	0	7,673	(7,673)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	0	10,982	(10,982)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	352,054	352,054	0
25633000 Reg Liab - Pension Tracker	(2,549,911)	(422,642)	(2,127,269)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(730,800)	84,600	(815,400)
25689900 Reg Liab - Other	1,846,688	975,139	871,549
Total: Other regulatory liabilities	(11,648,037)	4,724,034	(16,372,071)
Total: Regulatory liabilities	10,276,522	7,689,478	2,587,043
26212000 Accrued Pension Expense	2,950,054	485,630	2,464,424
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	2,950,054	485,630	2,464,424

Tennessee American Water Company
Trial Balance as of October 31, 2023

Description	October 2023 Balance	Activity	Prior Year Balance
26221000 Accrued OPEB	5,075,206	945,058	4,130,148
26221500 Accrued OPEB Medicare Subsidy	(161,077)	(15,838)	(145,238)
Total: Accrued postretirement benefit expense	4,914,130	929,220	3,984,910
26300000 Operating Lease Long-Term Liability	(270)	953	(1,223)
Total: Operating lease long-term liabilities	(270)	953	(1,223)
26580000 FIN 48 Reserve - Federal	(695,717)	(118,281)	(577,436)
26581000 FIN 48 Reserve - State	(2,818)	211,830	(214,648)
Total: Other tax liabilities	(698,535)	93,549	(792,084)
Total: Other Deferred Credits	(698,535)	93,549	(792,084)
Total: Regulatory and other long-term liabilities	(33,711,440)	4,730,506	(38,441,946)
27111000 CIAC-Non Taxable - Mains	(6,570,491)	(396,195)	(6,174,295)
27112000 CIAC-Non Taxable - Ext Dep	(8,428,957)	(561)	(8,428,396)
27113000 CIAC-Non Taxable - Services	(496,083)	0	(496,083)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,374,526)	(13,494)	(1,361,032)
27116000 CIAC-Non Taxable - Other	(3,083,061)	0	(3,083,061)
27117000 CIAC-Non Taxable - WIP	(771,802)	(507,592)	(264,210)
27121000 CIAC-Taxable - Mains	(2,372,106)	3,507	(2,375,613)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,913,794)	(84,625)	(2,829,170)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(312,084)	2,330	(314,414)
27127000 CIAC-Taxable - WIP	0	111,407	(111,407)
27141000 CIAC-Taxable - Mains FIT	(438,310)	3,507	(441,818)
27143000 CIAC-Taxable - Services FIT	(84,202)	(42,135)	(42,067)
27145000 CIAC-Taxable - Hydrants FIT	(38,601)	993	(39,594)
27206000 Accum Amort CIAC - Other	5,977,011	261,706	5,715,305
27210000 Accum Amort CIAC - Tax	1,241,010	76,222	1,164,788
Total: Contributions in aid of construction	(19,891,210)	(584,928)	(19,306,281)
Total: CAPITAL AND LIABILITIES	(339,388,414)	(20,595,699)	(318,792,715)
Total: BALANCE SHEET (Net Profit)	6,992,188	1,035,136	5,957,052

Tennessee American Water Company
Trial Balance as of November 30, 2023

Description	November 2023 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	0	2,661,881
10130410 UPIS - Struct & Imp - Source of Supply	753,021	37,241	715,780
10130420 UPIS - Struct & Imp - Pumping	7,638,572	(166,944)	7,805,516
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	0	18,584,006
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,442,935	38,460	4,404,475
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	0	856,116
10131120 UPIS - Pumping Equipment - Electric	6,029,220	793,317	5,235,903
10131130 UPIS - Pumping Equipment - Diesel	92,937	0	92,937
10131150 UPIS - Pumping Equipment - Other	3,053,526	1,496,825	1,556,701
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,003	(195)	2,620,198
10132010 UPIS - Water Treatment Equipment	28,787,116	625,730	28,161,386
10133000 UPIS - Distribution Reservoirs & Standpipes	14,514,042	(246,350)	14,760,392
10133100 UPIS - Transmission & Distribution Mains	163,280,770	5,103,678	158,177,091
10133300 UPIS - Services	33,671,575	988,143	32,683,433
10133410 UPIS - Meters	24,741,023	5,542,763	19,198,260
10133420 UPIS - Meter Installations	24,932,932	2,430,270	22,502,662
10133500 UPIS - Hydrants	13,505,224	1,054,145	12,451,079
10133910 UPIS - Other P/E - Intangible	1,450,178	0	1,450,178
10133920 UPIS - Other P/E - Source of Supply	222,421	(1,031)	223,453
10134010 UPIS - Office Furniture & Equipment	11,193,491	(3,773,882)	14,967,373
10134100 UPIS - Transportation Equipment	7,239,121	124,612	7,114,510
10134300 UPIS - Tools-Shop-Garage Equipment	971,826	99,826	872,000
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,343,788	47,085	2,296,703
10134700 UPIS - Misc Equipment	661,647	184,316	477,331
10134800 UPIS - Other Tangible Property	17,776	0	17,776
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10300000 Property Held Future	10,000	10,000	0
10630410 CCNC Struct & Imp - Source of Supply	2,352,113	2,310,855	41,258
10630420 CCNC Struct & Imp - Pumping	487,030	(89)	487,118
10630430 CCNC Struct & Imp - Water Treatment	14,262,145	255	14,261,890
10630450 CCNC Struct & Imp - Admin & General	945,738	223,909	721,829
10630600 CCNC Lake - River & Other	2,161,913	1,747,216	414,697
10630900 CCNC Supply Mains	1,349,045	0	1,349,045
10631120 CCNC Pumping Equipment - Electric	85,302	75,987	9,316
10631150 CCNC Pumping Equipment - Other	3,194,266	(1,978,269)	5,172,535
10631152 CCNC Pumping Equipment - Source of Supply	106,288	57,453	48,835
10632010 CCNC - Water Treatment Equipment - Non-Media	3,149,842	489,229	2,660,613
10633000 CCNC - Distribution Reservoirs & Standpipes	7,219,529	2,922,450	4,297,079
10633100 CCNC - Transmssn & Distr Mains Not Classified	30,157,886	9,023,188	21,134,697

Tennessee American Water Company
Trial Balance as of November 30, 2023

Description	November 2023 Balance	Activity	Prior Year Balance
10633300 CCNC Services	565,583	92,808	472,775
10633410 CCNC Meters	759,563	(3,625,882)	4,385,445
10633420 CCNC Meter Installations	638,976	(1,059,476)	1,698,452
10633500 CCNC Hydrants	656,959	(150,465)	807,424
10633910 CCNC Other P/E Intangible	130,284	0	130,284
10634010 CCNC Office Furniture & Equipment	6,459,083	2,213,656	4,245,428
10634100 CCNC Transportation Equipment Not Classified	3,443,693	952,407	2,491,286
10634300 CCNC Tools-Shop-Garage Equipment	54,857	(140,280)	195,136
10634400 CCNC Laboratory Equipment	12,629	12,629	0
10634600 CCNC Communication Equipment	404,015	400,272	3,743
10634700 CCNC Misc Equipment	303,545	(157,376)	460,921
10634800 CCNC Other Tangible Property	2,963	0	2,963
Total: Utility plant in service	456,951,570	27,798,482	429,153,088
10700000 CWIP	17,889,848	6,279,140	11,610,708
10780110 CWIP - Eng Clearing Dist Overhead	46,009	(358,352)	404,361
10780120 CWIP - Eng Clearing Eng Overhead	4,064	(3,948)	8,012
10780160 CWIP - Suspended CWIP Reserve	(58,939)	(36,114)	(22,825)
Total: Construction work in progress	17,880,982	5,880,727	12,000,256
10801000 Accum Depreciation - Utility Plant in Service	(184,688,857)	(11,629,808)	(173,059,049)
10802000 Accum Depreciation - Salvage/Scrap	(4,835,943)	(47,023)	(4,788,920)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	56,620,478	6,152,156	50,468,323
10810000 Accum Depreciation - Reg Asset	(36,076)	(1,116)	(34,961)
Total: Accumulated depreciation/amortization	(132,950,258)	(5,525,790)	(127,424,467)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	338,132,716	28,153,419	309,979,298
Total: Total Property Plant & Equipment	338,132,716	28,153,419	309,979,298
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	32	(23)	55
13140103 PNC AWCC-Accounts Payable - Outbound Check	(355,143)	(126,740)	(228,403)
13140303 PNC AWCC-Customer Refund - Outbound Check	(149,713)	(67,587)	(82,126)
13162600 US Bank TN - Main	202,058	379	201,678
13162608 US Bank TN - Customer Lockbox	163	163	0
13162609 US Bank TN - Credit Card and E-Checks	132,925	28,234	104,691
13162610 US Bank TN - Firstech Collections	283	(179)	462
13162611 US Bank TN - FiServ (aka CheckFree)	5,980	(2,286)	8,266
13162613 US Bank TN - E-Return - US Bank	254	203	51
13162614 US Bank TN -Credit Card & Echeck E-Returns	(901)	(623)	(278)
13162616 US Bank TN - NSF Return Payments	108	(63)	171
13199004 Cash Clearing - MI's	0	2,353	(2,353)
Total: Cash and cash equivalents	(161,954)	(166,168)	4,214
14100000 A/R - Customer - CIS Reconciliation	3,702,291	(749,426)	4,451,717
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	684,786	684,786	0
14100998 A/R - Customer - Payment Clarification	(949)	(229)	(720)
Total: Utility customer accounts receivable	4,386,129	(64,869)	4,450,997
14510041 AR Associated Cos - AWI IOTG	153,238	(7,069)	160,307

Tennessee American Water Company
Trial Balance as of November 30, 2023

Description	November 2023 Balance	Activity	Prior Year Balance
14510100 A/R Assoc Cos - Reconciliation Account	123,929	38,285	85,645
14511001 A/R Assoc Cos - Service Company Bill	37,037	(97,113)	134,150
Total: Receivable from affiliated companies	314,205	(65,897)	380,102
14610000 Misc A/R - Reconciliation Account	544,396	(183,337)	727,734
14611000 Misc A/R - Manual	1,488	32	1,455
14611500 Misc A/R - Medicare Subsidy	47,933	(7,437)	55,370
Total: Other receivables, net	593,818	(190,742)	784,559
14300000 Allowance for Uncollectible Accounts	(320,776)	113,961	(434,737)
14620000 Misc Rec - Allow for Uncollectible Accts	(21,351)	7,682	(29,033)
Total: Allowance for uncollectible accounts	(342,127)	121,643	(463,770)
Total: Accounts receivable, net	4,952,024	(199,865)	5,151,888
14400000 Unbilled Utility Revenue	2,895,358	601,948	2,293,410
Total: Unbilled revenues	2,895,358	601,948	2,293,410
15110000 Inventory - Plant Material	1,089,439	(254,340)	1,343,779
15130000 Inventory - Chemicals	325,510	(10,412)	335,923
15140000 Inventory - Other Materials & Supplies	0	(39,870)	39,870
Total: Materials and supplies	1,414,949	(304,622)	1,719,572
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	597,073	43,903	553,170
16520000 Prepaid Insurance	102,345	18,879	83,466
16530000 Prepaid PUC/PSC Assessment	20,288	779	19,509
16550000 Prepaid Other	23,830	2,218	21,612
16550010 Prepaid Other - Global	56,818	19,219	37,599
16613000 Reg Asset - Deferred Vacation Pay	292,189	292,189	0
Total: Other current assets	1,107,543	377,187	730,355
Total: Total Current Assets	10,207,920	308,480	9,899,440
18503000 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	0	(83,985)	83,985
18503500 Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	0	(1,791,386)	1,791,386
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	269,795	269,535	260
18504500 Reg Asset-Inc Tax Rec Thru Rates-Other	0	(145,733)	145,733
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	87,473	87,478	(5)
18505100 Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	0	(2,622,468)	2,622,468
18505500 Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	0	703,889	(703,889)
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	(357,268)	(357,268)	0
Total: Reg asset - income tax recovery	0	(3,939,937)	3,939,937
18661000 Reg Asset - Unamortized Debt Exp	6,229	(2,261)	8,490
18661500 Reg Asset - Unamortized Debt Exp Interco	1,359,559	113,804	1,245,755
Total: Debt and preferred stock expense	1,365,788	111,544	1,254,245
18620000 Reg Asset - Deferred Rate Case	15,611	15,611	0
Total: Deferred rate case	15,611	15,611	0
18680101 Reg Asset - Deferred Vacation Pay	0	(289,441)	289,441
18680162 Reg Asset- Closing Costs	7,083	(1,000)	8,083
18680218 Regulatory Asset - "Make-Whole Premium"	133,152	(28,032)	161,185
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
Total: Other regulatory assets	173,114	(318,473)	491,587
Total: Regulatory assets	1,554,513	(4,131,256)	5,685,769
18750000 LT Asset - Operating Lease Right-Of-Use Assets	1,145	(933)	2,078

Tennessee American Water Company
Trial Balance as of November 30, 2023

Description	November 2023 Balance	Activity	Prior Year Balance
Total: Operating lease right-of-use assets	1,145	(933)	2,078
18715700 LT Asset - Unamort Debt In - Revolver	105,600	13,981	91,619
Total: Other long-term assets	105,600	13,981	91,619
Total: Total Regulatory and other long-term assets	1,661,257	(4,118,208)	5,779,465
Total: ASSETS	350,001,893	24,343,691	325,658,203
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(86,809,406)	(11,092,110)	(75,717,296)
Total: Paid-in capital	(86,809,406)	(11,092,110)	(75,717,296)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(47,191,911)	(3,360,477)	(43,831,434)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(46,700,943)	(3,360,477)	(43,340,466)
Total: Total Stockholders' equity	(147,264,584)	(14,452,587)	(132,811,997)
Total: Total Equity	(147,264,584)	(14,452,587)	(132,811,997)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	307,163	(19,120)	326,283
22115000 Bonds - Interco	(106,280,321)	(4,000,000)	(102,280,321)
Total: Long-term debt	(111,673,158)	(4,019,120)	(107,654,038)
Total: Total Long-term debt	(111,673,158)	(4,019,120)	(107,654,038)
Total: Total Capitalization	(258,937,742)	(18,471,706)	(240,466,035)
23121000 In-House Cash Center Bank	(1,738,517)	4,083,483	(5,822,000)
23121001 IHC Clearing - Outgoing Payment	(110,979)	(49,770)	(61,209)
Total: In-House Cash Center	(1,849,496)	4,033,714	(5,883,210)
Total: Short-term debt	(1,849,496)	4,033,714	(5,883,210)
22215000 Current Portion LTD - Interco	(11,000,000)	(11,000,000)	0
Total: Current portion long-term debt	(11,000,000)	(11,000,000)	0
23410000 A/P - Reconciliation Account	(2,888,284)	(1,007,585)	(1,880,699)
23410100 A/P Intercompany - Reconciliation Account	(145,079)	23,995	(169,074)
23411001 PCard Distributed-Clearing for Mapped Transactions	(22,735)	(5,374)	(17,362)
23430000 A/P - Miscellaneous	(83,000)	(31,239)	(51,761)
23430600 A/P - Workbasket Accrual	(7,375)	61,477	(68,852)
23430700 A/P - Pcard Accrual	(15,301)	12,792	(28,093)
23431000 A/P - Misc Global	(150,388)	(27,431)	(122,957)
23435000 A/P - Project Cost Accrual	(4,042,316)	(2,243,045)	(1,799,272)
23436000 A/P-GRIR Capital Services	102,088	124,869	(22,781)
Total: Accounts payable external	(7,252,390)	(3,091,540)	(4,160,850)
23510000 A/P Associated Companies	(2,874)	(1,802)	(1,072)
23520000 A/P Associated Companies - Service Co Bill	901,503	16,180	885,323
23520001 A/P Associated Companies - Service Co Bill	(954,001)	989,862	(1,943,863)
23530400 CFO - WLPP/SLPP/InHome Interco	(38)	(29)	(9)
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	0	38
23540100 CFO - SLPP Receivable Interco	(26)	39	(65)
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	0	26
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	0	259	(259)
Total: Accounts payable associated companies	(55,373)	1,004,508	(1,059,881)
Total: Accounts payable	(7,307,763)	(2,087,032)	(5,220,731)

Tennessee American Water Company
Trial Balance as of November 30, 2023

Description	November 2023 Balance	Activity	Prior Year Balance
23621000 Accrued FIT - Current Year	(57,405)	1,083,245	(1,140,650)
23622000 Accrued FIT - Prior Years	656,394	596,762	59,632
Total: Accrued federal income tax	598,989	1,680,007	(1,081,018)
23631000 Accrued SIT - Current Year	3,843	(141,167)	145,010
23632000 Accrued SIT - Prior Years	102,079	(55,734)	157,813
Total: Accrued state income tax	105,922	(196,901)	302,822
23652000 Accrued Tax - FUTA	(21)	0	(21)
23652100 Accrued Tax - FICA	(69,901)	(7,156)	(62,745)
23653000 Accrued Tax - Property Tax	(3,701,133)	(373,885)	(3,327,247)
23654000 Accrued Tax - Use Tax	(6,042)	1,123	(7,166)
23654110 Accrued Tax - Franchise Tax - Income Tax	(770,654)	(63,632)	(707,022)
Total: Other accrued taxes	(4,547,751)	(443,550)	(4,104,201)
Total: Taxes accrued, including income taxes	(3,842,841)	1,039,556	(4,882,397)
23720000 Interest Accrued - LTD	(111,720)	0	(111,720)
23730000 Interest Accrued - LTD Interco	(1,588,329)	(144,035)	(1,444,295)
Total: Interest accrued	(1,700,049)	(144,035)	(1,556,015)
24120000 Accrued Vacation Pay	(292,189)	(2,748)	(289,441)
24120200 Accrued Power	(184,127)	4,805	(188,932)
24120300 Accrued Legal	(32,464)	(13,195)	(19,268)
24120600 Accrued Wages	(433,734)	(57,055)	(376,679)
24120699 Accrued Wages - Net Adjustments Clearing	(2,130)	(1,929)	(201)
24120700 Accrued Insurance	0	31,400	(31,400)
24121000 Accrued Waste Disposal	(19,670)	13,730	(33,400)
24121100 Accrued Retiree Medical	(28,121)	(1,083)	(27,038)
24121200 Accrued DCP - Contribution	(18,290)	(2,009)	(16,281)
24121400 Accrued Bank Fees	(14,277)	(540)	(13,737)
24122500 Refund Rates Under Bond	(0)	56,910	(56,910)
24122700 Accrued Employer 401k Match	(12,938)	(1,836)	(11,102)
24123000 Accrued Incentive Plan Cash	(498,459)	(26,630)	(471,830)
24126200 Accrued Paving	0	1,019	(1,019)
24133000 Unclaimed Customer Credits	(35,310)	53,943	(89,253)
24133200 Unclaimed A/P Checks	(42,635)	(23,638)	(18,997)
24142014 WH PR - ESPP	(14,715)	(321)	(14,394)
24150000 Operating Lease Current Liability	(1,423)	(490)	(933)
24161000 GRIR - Stock E (Materials)	(25,496)	79,471	(104,966)
24163000 GRIR - Stock C (Chemicals)	(84,772)	16,667	(101,440)
24164000 GRIR - Non-inventory	(261,510)	(45,477)	(216,032)
24171000 CFO Miscellaneous	0	17	(17)
24171006 CFO Customer Assistance Pledged	(681)	(537)	(144)
24172000 CFO Sales Tax	38,399,284	4,511,130	33,888,154
24172100 CFO Sales Tax - from CIS	(38,750,201)	(4,541,534)	(34,208,667)
24199500 Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	0	0	0
24199700 Deferred Revenue - Current Portion	(288,332)	(11,891)	(276,441)
24199900 Other Current Liabilities - Non-Tax Sensitive	(684,786)	(684,786)	0
25299900 Advances for Construction - Current	(793,573)	(151,676)	(641,898)
Total: Other current liabilities	(4,120,549)	(798,284)	(3,322,265)
Total: Total Current Liabilities	(29,820,698)	(8,956,081)	(20,864,617)

Tennessee American Water Company
Trial Balance as of November 30, 2023

Description	November 2023 Balance	Activity	Prior Year Balance
25211000 Advances for Construction - NT Mains	(4,274,002)	(3,398,012)	(875,990)
25212000 Advances for Construction - NT Extension Deposits	(1,017,169)	33,376	(1,050,545)
25215000 Advances for Construction - NT Hydrants	(21,759)	(998)	(20,761)
25217000 Advances for Construction - NT WIP	(2,179,539)	1,532,185	(3,711,724)
25221000 Advances for Construction - Tax Mains	(1,310,439)	327,362	(1,637,801)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	0	(61,288)
25223000 Advances for Construction - Tax Services	(7,969)	0	(7,969)
25225000 Advances for Construction - Tax Hydrants	(27,591)	14,897	(42,488)
25227000 Advances for Construction - Tax WIP	39,247	142,362	(103,115)
25241000 Advances for Construction - Tax Mains - FIT	(856,305)	327,362	(1,183,667)
25245000 Advances for Construction - Tax Hydrants - FIT	(27,571)	14,897	(42,468)
25280000 Advances for Construction - Reclassed to Current	793,573	151,676	641,898
Total: Customer Advances for construction	(8,950,812)	(854,891)	(8,095,920)
25310000 Deferred FIT Liability – Property	(43,105,042)	(45,008,705)	1,903,662
25310100 Deferred FIT Liability - FAS109 Increment	7,573,895	9,503,432	(1,929,537)
25311000 Deferred FIT Liability – Non Property	767,523	30,142,513	(29,374,990)
25311100 Deferred FIT Liability - FAS109 Gross Up	2,670,367	3,356,940	(686,574)
Total: Federal Deferred income taxes long-term	(32,093,257)	(2,005,819)	(30,087,438)
25320000 Deferred SIT Liability - Property	(10,175,527)	(10,175,403)	(124)
25320100 Deferred SIT Liability - FAS109 Increment	(61,395)	(59,552)	(1,844)
25321000 Deferred SIT Liability – Non Property	(296,377)	8,357,956	(8,654,333)
Total: State Deferred income taxes long-term	(10,533,299)	(1,876,998)	(8,656,301)
Total: Deferred income taxes	(42,626,556)	(3,882,817)	(38,743,739)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(12,257)	4,359	(16,617)
25510300 Unamortized ITC - 10%	0	(1,977)	1,977
Total: Deferred investment tax credits	(12,257)	2,382	(14,639)
25700000 Reg Liab - Cost of Removal	21,454,846	3,568,401	17,886,446
25710000 Reg Liab - Cost of Removal RWIP	875,751	(238,388)	1,114,138
Total: Reg liability - cost of removal	22,330,597	3,330,013	19,000,584
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(9,837,083)	4,779,903	(14,616,986)
25621100 Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	0	219,473	(219,473)
25622000 Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	0	(257,877)	257,877
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	(698,581)	(870,849)	172,268
25623200 Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	0	(119,619)	119,619
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(4,284)	(17,652)	13,369
25626100 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	0	7,673	(7,673)
25626200 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	0	10,982	(10,982)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	357,268	357,268	0
25633000 Reg Liab - Pension Tracker	(2,579,843)	(390,913)	(2,188,930)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(730,800)	84,600	(815,400)
25689900 Reg Liab - Other	1,991,284	1,115,816	875,469
Total: Other regulatory liabilities	(11,502,038)	4,918,804	(16,420,842)
Total: Regulatory liabilities	10,828,559	8,248,817	2,579,742
26212000 Accrued Pension Expense	3,108,561	464,847	2,643,714
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	3,108,561	464,847	2,643,714

Tennessee American Water Company
Trial Balance as of November 30, 2023

Description	November 2023 Balance	Activity	Prior Year Balance
26221000 Accrued OPEB	5,141,831	910,029	4,231,802
26221500 Accrued OPEB Medicare Subsidy	(163,097)	(15,715)	(147,381)
Total: Accrued postretirement benefit expense	4,978,735	894,314	4,084,421
26300000 Operating Lease Long-Term Liability	(190)	955	(1,145)
Total: Operating lease long-term liabilities	(190)	955	(1,145)
26580000 FIN 48 Reserve - Federal	(695,717)	(118,281)	(577,436)
26581000 FIN 48 Reserve - State	(2,818)	211,830	(214,648)
Total: Other tax liabilities	(698,535)	93,549	(792,084)
Total: Other Deferred Credits	(698,535)	93,549	(792,084)
Total: Regulatory and other long-term liabilities	(33,372,497)	4,967,155	(38,339,651)
27111000 CIAC-Non Taxable - Mains	(6,570,491)	(396,195)	(6,174,295)
27112000 CIAC-Non Taxable - Ext Dep	(8,421,754)	6,642	(8,428,396)
27113000 CIAC-Non Taxable - Services	(496,083)	0	(496,083)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,374,526)	(13,494)	(1,361,032)
27116000 CIAC-Non Taxable - Other	(3,083,061)	0	(3,083,061)
27117000 CIAC-Non Taxable - WIP	(771,802)	(494,020)	(277,782)
27121000 CIAC-Taxable - Mains	(2,386,574)	(10,961)	(2,375,613)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,930,691)	(95,528)	(2,835,163)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(312,270)	2,144	(314,414)
27127000 CIAC-Taxable - WIP	0	111,407	(111,407)
27141000 CIAC-Taxable - Mains FIT	(423,843)	17,975	(441,818)
27143000 CIAC-Taxable - Services FIT	(89,007)	(43,943)	(45,064)
27145000 CIAC-Taxable - Hydrants FIT	(38,415)	1,179	(39,594)
27206000 Accum Amort CIAC - Other	5,998,957	262,146	5,736,811
27210000 Accum Amort CIAC - Tax	1,247,419	76,326	1,171,093
Total: Contributions in aid of construction	(19,877,354)	(576,322)	(19,301,032)
Total: CAPITAL AND LIABILITIES	(342,008,290)	(23,036,955)	(318,971,335)
Total: BALANCE SHEET (Net Profit)	7,993,603	1,306,735	6,686,867

Tennessee American Water Company
Trial Balance as of December 31, 2023

Description	December 2023 Balance	Activity	Prior Year Balance
10130330 UPIS - Land & Land Rights - Pumping	$108,582	$0	$108,582
10130340 UPIS - Land & Land Rights - Water Treatment	18,009	0	18,009
10130350 UPIS - Land & Land Rights - Transmission & Distrib	638,966	0	638,966
10130360 UPIS - Land & Land Rights - Admin & General	2,661,881	0	2,661,881
10130410 UPIS - Struct & Imp - Source of Supply	833,403	76,828	756,575
10130420 UPIS - Struct & Imp - Pumping	7,638,572	(166,944)	7,805,516
10130430 UPIS - Struct & Imp - Water Treatment	18,584,006	0	18,584,006
10130440 UPIS - Struct & Imp - Transmission & Distribution	1,725,569	0	1,725,569
10130450 UPIS - Struct & Imp - Admin & General	4,452,151	41,903	4,410,248
10130600 UPIS - Lake & River & Other	589,212	0	589,212
10130900 UPIS - Supply Mains	109,873	0	109,873
10131000 UPIS - Power Generation Equipment	856,116	0	856,116
10131120 UPIS - Pumping Equipment - Electric	6,027,325	794,315	5,233,010
10131130 UPIS - Pumping Equipment - Diesel	92,937	0	92,937
10131150 UPIS - Pumping Equipment - Other	3,088,591	1,172,798	1,915,793
10131152 UPIS - Pumping Equipment - Source of Supply	2,620,003	(195)	2,620,198
10132010 UPIS - Water Treatment Equipment	29,295,827	1,050,212	28,245,615
10133000 UPIS - Distribution Reservoirs & Standpipes	14,805,248	26,417	14,778,830
10133100 UPIS - Transmission & Distribution Mains	164,520,289	6,232,981	158,287,308
10133300 UPIS - Services	33,988,408	1,300,034	32,688,374
10133410 UPIS - Meters	24,944,341	5,897,362	19,046,979
10133420 UPIS - Meter Installations	26,018,779	3,512,827	22,505,952
10133500 UPIS - Hydrants	13,530,165	1,076,837	12,453,328
10133910 UPIS - Other P/E - Intangible	1,450,178	0	1,450,178
10133920 UPIS - Other P/E - Source of Supply	222,421	(1,031)	223,453
10134010 UPIS - Office Furniture & Equipment	11,196,465	(3,770,998)	14,967,462
10134100 UPIS - Transportation Equipment	7,239,121	124,612	7,114,510
10134300 UPIS - Tools-Shop-Garage Equipment	971,826	106,849	864,977
10134400 UPIS - Laboratory Equipment	157,380	0	157,380
10134500 UPIS - Power Operated Equipment	379,488	0	379,488
10134600 UPIS - Communication Equipment	2,366,899	70,954	2,295,945
10134700 UPIS - Misc Equipment	667,623	151,381	516,242
10134800 UPIS - Other Tangible Property	17,776	0	17,776
10190000 Reg Asset-AFUDC-Debt	46,099	0	46,099
10300000 Property Held Future	10,000	10,000	0
10630410 CCNC Struct & Imp - Source of Supply	2,294,307	584,059	1,710,248
10630420 CCNC Struct & Imp - Pumping	487,030	(89)	487,118
10630430 CCNC Struct & Imp - Water Treatment	14,262,145	(36)	14,262,181
10630450 CCNC Struct & Imp - Admin & General	936,407	147,908	788,499
10630600 CCNC Lake - River & Other	2,161,913	1,747,216	414,697
10630900 CCNC Supply Mains	1,349,045	0	1,349,045
10631120 CCNC Pumping Equipment - Electric	85,302	(1,063)	86,366
10631150 CCNC Pumping Equipment - Other	5,864,828	876,097	4,988,731
10631152 CCNC Pumping Equipment - Source of Supply	106,233	57,415	48,818
10632010 CCNC - Water Treatment Equipment - Non-Media	2,771,636	159,889	2,611,747
10633000 CCNC - Distribution Reservoirs & Standpipes	7,301,684	1,934,338	5,367,345
10633100 CCNC - Transmssn & Distr Mains Not Classified	37,428,023	11,341,559	26,086,464

Tennessee American Water Company
Trial Balance as of December 31, 2023

Description	December 2023 Balance	Activity	Prior Year Balance
10633300 CCNC Services	274,208	(251,462)	525,671
10633410 CCNC Meters	305,407	(4,212,424)	4,517,831
10633420 CCNC Meter Installations	126,730	(1,759,812)	1,886,542
10633500 CCNC Hydrants	754,297	(231,394)	985,692
10633910 CCNC Other P/E Intangible	130,284	0	130,284
10634010 CCNC Office Furniture & Equipment	8,530,014	3,333,396	5,196,618
10634100 CCNC Transportation Equipment Not Classified	4,039,963	1,440,504	2,599,458
10634300 CCNC Tools-Shop-Garage Equipment	283,696	88,102	195,594
10634400 CCNC Laboratory Equipment	14,204	6,558	7,645
10634600 CCNC Communication Equipment	411,203	171,611	239,592
10634700 CCNC Misc Equipment	308,843	(111,985)	420,828
10634800 CCNC Other Tangible Property	2,963	0	2,963
Total: Utility plant in service	472,103,892	33,027,530	439,076,362
10700000 CWIP	5,242,722	(233,835)	5,476,557
10780160 CWIP - Suspended CWIP Reserve	(41,478)	17,461	(58,939)
Total: Construction work in progress	5,201,244	(216,374)	5,417,618
10801000 Accum Depreciation - Utility Plant in Service	(185,678,688)	(11,667,618)	(174,011,070)
10802000 Accum Depreciation - Salvage/Scrap	(4,842,397)	(53,477)	(4,788,920)
10803000 Accum Depreciation - Asset Sale	(9,860)	0	(9,860)
10804000 Accum Depreciation - Original Cost	56,798,011	6,112,882	50,685,129
10810000 Accum Depreciation - Reg Asset	(36,169)	(1,116)	(35,054)
Total: Accumulated depreciation/amortization	(133,769,104)	(5,609,329)	(128,159,775)
11430000 UPAA - Neg Post 1/1/06	(3,749,579)	0	(3,749,579)
Total: Utility Plant Adjustments	(3,749,579)	0	(3,749,579)
Total: Utility property, net	339,786,453	27,201,827	312,584,627
Total: Total Property Plant & Equipment	339,786,453	27,201,827	312,584,627
13122600 BNYM TN	2,000	0	2,000
13122608 BNYM TN - Customer Lockbox	55	(2,236)	2,292
13140103 PNC AWCC-Accounts Payable - Outbound Check	(291,887)	210,786	(502,673)
13140303 PNC AWCC-Customer Refund - Outbound Check	(150,089)	(69,496)	(80,594)
13162600 US Bank TN - Main	231,832	(11,249)	243,081
13162608 US Bank TN - Customer Lockbox	0	(38)	38
13162609 US Bank TN - Credit Card and E-Checks	144,080	23,100	120,979
13162610 US Bank TN - Firstech Collections	853	394	459
13162611 US Bank TN - FiServ (aka CheckFree)	9,437	4,186	5,252
13162612 US Bank TN - Penn Credit	151	(479)	630
13162613 US Bank TN - E-Return - US Bank	0	(544)	544
13162614 US Bank TN -Credit Card & Echeck E-Returns	(457)	469	(926)
13162616 US Bank TN - NSF Return Payments	238	213	25
Total: Cash and cash equivalents	(53,787)	155,107	(208,894)
14100000 A/R - Customer - CIS Reconciliation	3,875,324	(268,460)	4,143,784
14100099 A/R - Customer - Clearing - Credit Rfnd Processing	780,017	279,815	500,201
14100998 A/R - Customer - Payment Clarification	(23,018)	(9,900)	(13,118)
Total: Utility customer accounts receivable	4,632,323	1,455	4,630,868
14510000 A/R Assoc Cos - Miscellaneous	1,089,027	1,134,843	(45,816)
14510041 AR Associated Cos - AWI IOTG	0	(160,307)	160,307
14510100 A/R Assoc Cos - Reconciliation Account	372,938	31,134	341,804

Tennessee American Water Company
Trial Balance as of December 31, 2023

Description	December 2023 Balance	Activity	Prior Year Balance
14511001 A/R Assoc Cos - Service Company Bill	119,665	(101,280)	220,945
Total: Receivable from affiliated companies	1,581,630	904,390	677,240
14610000 Misc A/R - Reconciliation Account	524,887	(118,899)	643,786
14611000 Misc A/R - Manual	1,494	43	1,451
14611500 Misc A/R - Medicare Subsidy	49,953	(7,560)	57,513
14613000 Misc A/R - Employees	0	(50)	50
Total: Other receivables, net	576,334	(126,465)	702,799
14300000 Allowance for Uncollectible Accounts	(323,520)	113,542	(437,062)
14620000 Misc Rec - Allow for Uncollectible Accts	(11,917)	18,330	(30,247)
Total: Allowance for uncollectible accounts	(335,438)	131,872	(467,310)
Total: Accounts receivable, net	6,454,850	911,252	5,543,597
14400000 Unbilled Utility Revenue	2,874,144	441,655	2,432,489
Total: Unbilled revenues	2,874,144	441,655	2,432,489
15110000 Inventory - Plant Material	1,084,218	(531,309)	1,615,526
15130000 Inventory - Chemicals	279,579	(33,619)	313,199
15140000 Inventory - Other Materials & Supplies	2,577	(5,131)	7,708
Total: Materials and supplies	1,366,374	(570,059)	1,936,433
16410000 Other Special Deposits	15,000	0	15,000
16510000 Prepaid Taxes	511,777	37,631	474,146
16520000 Prepaid Insurance	39,985	30,881	9,104
16530000 Prepaid PUC/PSC Assessment	(0)	(0)	0
16550000 Prepaid Other	29,917	23,608	6,308
16550010 Prepaid Other - Global	48,734	(46,263)	94,997
16611000 Reg Asset-OCA tax	0	(123,924)	123,924
16612000 Reg Asset-OCA non tax	0	0	0
16613000 Reg Asset - Deferred Vacation Pay	124,213	124,213	0
Total: Other current assets	769,626	46,147	723,479
Total: Total Current Assets	11,411,207	984,102	10,427,105
18504000 Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	274,595	62,453	212,142
18505000 Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	89,060	20,273	68,787
18506000 Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	(363,655)	(82,726)	(280,929)
Total: Reg asset - income tax recovery	0	0	0
18661000 Reg Asset - Unamortized Debt Exp	6,041	(2,260)	8,302
18661500 Reg Asset - Unamortized Debt Exp Interco	1,346,819	107,529	1,239,290
Total: Debt and preferred stock expense	1,352,860	105,268	1,247,592
18620000 Reg Asset - Deferred Rate Case	23,822	23,822	0
Total: Deferred rate case	23,822	23,822	0
18680000 Reg Asset - Cost of Removal	21,618,736	3,174,954	18,443,783
18680100 Reg Asset - Cost of Removal - RWIP	987,484	(54,264)	1,041,748
18680162 Reg Asset- Closing Costs	7,000	(1,000)	8,000
18680218 Regulatory Asset - "Make-Whole Premium"	130,816	(28,032)	158,849
18680226 Regulatory Asset - Enterprise Solutions	32,878	0	32,878
18689900 Reg Asset - Other	2,043,354	1,137,323	906,030
Total: Other regulatory assets	24,820,268	4,228,981	20,591,287
Total: Regulatory assets	26,196,950	4,358,071	21,838,880
18750000 LT Asset - Operating Lease Right-Of-Use Assets	1,066	(935)	2,001
Total: Operating lease right-of-use assets	1,066	(935)	2,001

Tennessee American Water Company
Trial Balance as of December 31, 2023

Description	December 2023 Balance	Activity	Prior Year Balance
18715700 LT Asset - Unamort Debt In - Revolver	103,810	13,211	90,599
Total: Other long-term assets	103,810	13,211	90,599
Total: Total Regulatory and other long-term assets	26,301,826	4,370,347	21,931,479
Total: ASSETS	377,499,486	32,556,275	344,943,211
20120000 Common Stock - Subs Intercompany	(13,754,235)	0	(13,754,235)
Total: Common stock	(13,754,235)	0	(13,754,235)
20520000 Paid-in Capital - Subs Intercompany	(86,809,406)	(11,055,391)	(75,754,015)
Total: Paid-in capital	(86,809,406)	(11,055,391)	(75,754,015)
21021000 Retained Earnings at Acquisition Intercompany	506,376	0	506,376
21024000 Retained Earnings Since Acquisition	(47,191,911)	(3,360,477)	(43,831,434)
21025000 Retained Earnings Retro Accounting Adjustments	(15,408)	0	(15,408)
Total: Retained earnings	(46,700,943)	(3,360,477)	(43,340,466)
Total: Total Stockholders' equity	(147,264,584)	(14,415,868)	(132,848,716)
Total: Total Equity	(147,264,584)	(14,415,868)	(132,848,716)
22110000 Bonds	(5,700,000)	0	(5,700,000)
22110400 LT Debt - Discount Inside	305,570	(19,120)	324,689
22115000 Bonds - Interco	(106,280,321)	(4,000,000)	(102,280,321)
Total: Long-term debt	(111,674,751)	(4,019,120)	(107,655,632)
Total: Total Long-term debt	(111,674,751)	(4,019,120)	(107,655,632)
Total: Total Capitalization	(258,939,335)	(18,434,987)	(240,504,348)
23121000 In-House Cash Center Bank	(8,268,132)	3,688,168	(11,956,299)
23121001 IHC Clearing - Outgoing Payment	15,342	5,774	9,568
Total: In-House Cash Center	(8,252,789)	3,693,942	(11,946,731)
Total: Short-term debt	(8,252,789)	3,693,942	(11,946,731)
22215000 Current Portion LTD - Interco	(11,000,000)	(11,000,000)	0
Total: Current portion long-term debt	(11,000,000)	(11,000,000)	0
23410000 A/P - Reconciliation Account	(2,459,401)	1,023,079	(3,482,481)
23410100 A/P Intercompany - Reconciliation Account	(180,659)	87,069	(267,728)
23411001 PCard Distributed-Clearing for Mapped Transactions	(22,158)	17,983	(40,141)
23411400 A/P - Gcard Clearing	(124,538)	(124,544)	6
23411500 A/P - Pcard Clearing	(852)	(852)	0
23430000 A/P - Miscellaneous	(162,548)	(162,548)	0
23430600 A/P - Workbasket Accrual	(7,714)	179,688	(187,403)
23430700 A/P - Pcard Accrual	(5,812)	1,395	(7,207)
23431000 A/P - Misc Global	(79,694)	(8,319)	(71,376)
23435000 A/P - Project Cost Accrual	(2,427,493)	(137,777)	(2,289,716)
23436000 A/P-GRIR Capital Services	110,583	57,580	53,002
Total: Accounts payable external	(5,360,287)	932,756	(6,293,043)
23510000 A/P Associated Companies	0	(137,155)	137,155
23510041 AP Associated Cos - AWI IOTG	0	7,069	(7,069)
23520000 A/P Associated Companies - Service Co Bill	916,964	(7,426)	924,390
23520001 A/P Associated Companies - Service Co Bill	(1,200,211)	51,941	(1,252,152)
23530400 CFO - WLPP/SLPP/InHome Interco	(38)	(29)	(9)
23540001 CFO - WLPP Receivable Interco - CIS Reconciliation	38	0	38
23540100 CFO - SLPP Receivable Interco	(26)	39	(65)
23540101 CFO - SLPP Receivable Interco - CIS Reconciliation	26	0	26
23540400 CFO - WLPP/SLPP/InHome Receivable Interco	0	259	(259)

Tennessee American Water Company
Trial Balance as of December 31, 2023

Description	December 2023 Balance	Activity	Prior Year Balance
Total: Accounts payable associated companies	(283,246)	(85,302)	(197,944)
Total: Accounts payable	(5,643,533)	847,454	(6,490,987)
23621000 Accrued FIT - Current Year	495,094	(11,896)	506,990
23622000 Accrued FIT - Prior Years	656,394	596,762	59,632
Total: Accrued federal income tax	1,151,488	584,866	566,622
23631000 Accrued SIT - Current Year	822,517	109,270	713,246
23632000 Accrued SIT - Prior Years	102,079	(55,734)	157,813
Total: Accrued state income tax	924,595	53,536	871,059
23652000 Accrued Tax - FUTA	(21)	0	(21)
23652100 Accrued Tax - FICA	(53,421)	(3,737)	(49,684)
23653000 Accrued Tax - Property Tax	(4,036,325)	(418,053)	(3,618,271)
23654000 Accrued Tax - Use Tax	(5,617)	7,632	(13,249)
23654110 Accrued Tax - Franchise Tax - Income Tax	(834,654)	(66,632)	(768,022)
Total: Other accrued taxes	(4,930,037)	(480,790)	(4,449,247)
Total: Taxes accrued, including income taxes	(2,853,953)	157,613	(3,011,566)
23720000 Interest Accrued - LTD	(148,960)	0	(148,960)
23730000 Interest Accrued - LTD Interco	(882,518)	(24,167)	(858,351)
Total: Interest accrued	(1,031,478)	(24,167)	(1,007,311)
24120000 Accrued Vacation Pay	(124,213)	(289)	(123,924)
24120200 Accrued Power	(223,656)	(28,642)	(195,015)
24120300 Accrued Legal	(15,966)	36,996	(52,962)
24120600 Accrued Wages	(150,113)	(824)	(149,289)
24120699 Accrued Wages - Net Adjustments Clearing	(2,343)	(1,943)	(400)
24121000 Accrued Waste Disposal	(26,970)	(2,070)	(24,900)
24121100 Accrued Retiree Medical	(30,600)	(1,200)	(29,400)
24121200 Accrued DCP - Contribution	(19,635)	(753)	(18,882)
24121400 Accrued Bank Fees	(11,162)	213	(11,375)
24122500 Refund Rates Under Bond	(466,198)	(421,295)	(44,903)
24122700 Accrued Employer 401k Match	(13,458)	(522)	(12,936)
24123000 Accrued Incentive Plan Cash	(558,141)	(52,001)	(506,140)
24126200 Accrued Paving	0	471	(471)
24133000 Unclaimed Customer Credits	(40,651)	50,970	(91,621)
24133200 Unclaimed A/P Checks	(40,840)	(21,843)	(18,997)
24142006 WH PR - 401k Contributions	(22,246)	279	(22,526)
24142014 WH PR - ESPP	(7,890)	(642)	(7,248)
24150000 Operating Lease Current Liability	(956)	(21)	(935)
24161000 GRIR - Stock E (Materials)	(20,474)	61,861	(82,335)
24163000 GRIR - Stock C (Chemicals)	(47,219)	(1,721)	(45,498)
24164000 GRIR - Non-inventory	(301,739)	(83,857)	(217,882)
24171000 CFO Miscellaneous	0	17	(17)
24171006 CFO Customer Assistance Pledged	(724)	(532)	(192)
24172000 CFO Sales Tax	38,748,637	4,539,970	34,208,667
24172100 CFO Sales Tax - from CIS	(39,099,823)	(4,580,415)	(34,519,408)
24199900 Other Current Liabilities - Non-Tax Sensitive	(780,017)	(279,815)	(500,201)
25299900 Advances for Construction - Current	(984,684)	(274,333)	(710,351)
Total: Other current liabilities	(4,241,081)	(1,061,941)	(3,179,140)
Total: Total Current Liabilities	(33,022,835)	(7,387,099)	(25,635,736)

Tennessee American Water Company
Trial Balance as of December 31, 2023

Description	December 2023 Balance	Activity	Prior Year Balance
25211000 Advances for Construction - NT Mains	(4,274,002)	(739,583)	(3,534,419)
25212000 Advances for Construction - NT Extension Deposits	(914,039)	136,506	(1,050,545)
25215000 Advances for Construction - NT Hydrants	(21,759)	(998)	(20,761)
25217000 Advances for Construction - NT WIP	(2,166,103)	(917,763)	(1,248,340)
25221000 Advances for Construction - Tax Mains	(1,310,439)	173,912	(1,484,351)
25222000 Advances for Construction - Tax Extension Deposits	(61,288)	0	(61,288)
25223000 Advances for Construction - Tax Services	(7,969)	0	(7,969)
25225000 Advances for Construction - Tax Hydrants	(27,591)	7,787	(35,378)
25227000 Advances for Construction - Tax WIP	82,552	82,552	0
25241000 Advances for Construction - Tax Mains - FIT	(856,305)	173,912	(1,030,217)
25245000 Advances for Construction - Tax Hydrants - FIT	(27,571)	7,787	(35,358)
25280000 Advances for Construction - Reclassed to Current	984,684	274,333	710,351
Total: Customer Advances for construction	(8,599,830)	(801,553)	(7,798,277)
25310000 Deferred FIT Liability – Property	(45,407,014)	(45,466,711)	59,697
25310100 Deferred FIT Liability - FAS109 Increment	7,615,240	9,338,564	(1,723,325)
25311000 Deferred FIT Liability – Non Property	683,293	30,176,918	(29,493,625)
25311100 Deferred FIT Liability - FAS109 Gross Up	2,692,174	3,302,793	(610,618)
Total: Federal Deferred income taxes long-term	(34,416,307)	(2,648,435)	(31,767,872)
25320000 Deferred SIT Liability - Property	(10,923,207)	(10,293,768)	(629,439)
25320100 Deferred SIT Liability - FAS109 Increment	(42,008)	(48,397)	6,389
25321000 Deferred SIT Liability – Non Property	(214,668)	8,240,348	(8,455,016)
Total: State Deferred income taxes long-term	(11,179,882)	(2,101,817)	(9,078,065)
Total: Deferred income taxes	(45,596,189)	(4,750,253)	(40,845,936)
25510100 Unamortized ITC - 3%	(0)	0	(0)
25510200 Unamortized ITC - 4%	(12,156)	4,764	(16,920)
Total: Deferred investment tax credits	(12,156)	4,764	(16,920)
25621000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	(9,899,385)	312,881	(10,212,266)
25623000 Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	(725,227)	(20,041)	(705,186)
25626000 Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	(4,263)	1,658	(5,921)
25629000 Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	363,655	82,726	280,929
25633000 Reg Liab - Pension Tracker	(2,609,775)	(359,184)	(2,250,591)
25637000 Reg Liab - Jasper Highlands Post Closing Payments	(682,200)	48,600	(730,800)
Total: Other regulatory liabilities	(13,557,194)	66,641	(13,623,835)
Total: Regulatory liabilities	(13,557,194)	66,641	(13,623,835)
26212000 Accrued Pension Expense	3,084,468	399,784	2,684,684
26215000 Accrued Pension Expense ERP (SRP)	0	0	0
Total: Accrued pension expense	3,084,468	399,784	2,684,684
26221000 Accrued OPEB	5,208,456	875,000	4,333,456
26221500 Accrued OPEB Medicare Subsidy	(165,117)	(15,592)	(149,524)
Total: Accrued postretirement benefit expense	5,043,340	859,408	4,183,932
26300000 Operating Lease Long-Term Liability	(110)	956	(1,066)
Total: Operating lease long-term liabilities	(110)	956	(1,066)
26580000 FIN 48 Reserve - Federal	(309,152)	275,607	(584,759)
26581000 FIN 48 Reserve - State	(149,975)	6,548	(156,523)
Total: Other tax liabilities	(459,127)	282,155	(741,282)
Total: Other Deferred Credits	(459,127)	282,155	(741,282)
Total: Regulatory and other long-term liabilities	(60,096,799)	(3,938,098)	(56,158,701)

Tennessee American Water Company
Trial Balance as of December 31, 2023

Description	December 2023 Balance	Activity	Prior Year Balance
27111000 CIAC-Non Taxable - Mains	(6,570,491)	(220,169)	(6,350,321)
27112000 CIAC-Non Taxable - Ext Dep	(8,524,884)	(96,488)	(8,428,396)
27113000 CIAC-Non Taxable - Services	(496,083)	0	(496,083)
27114000 CIAC-Non Taxable - Meters	(98,235)	0	(98,235)
27115000 CIAC-Non Taxable - Hydrants	(1,374,526)	(1,564)	(1,372,962)
27116000 CIAC-Non Taxable - Other	(3,083,061)	0	(3,083,061)
27117000 CIAC-Non Taxable - WIP	(771,802)	(660,436)	(111,366)
27121000 CIAC-Taxable - Mains	(2,386,574)	(10,992)	(2,375,582)
27122000 CIAC-Taxable - Extension Deposits	(17,608)	0	(17,608)
27123000 CIAC-Taxable - Services	(2,932,554)	(95,122)	(2,837,432)
27124000 CIAC-Taxable - Meters	(109,371)	0	(109,371)
27125000 CIAC-Taxable - Hydrants	(312,270)	2,141	(314,411)
27127000 CIAC-Taxable - WIP	(681)	96,592	(97,272)
27141000 CIAC-Taxable - Mains FIT	(423,843)	17,944	(441,787)
27143000 CIAC-Taxable - Services FIT	(89,938)	(43,740)	(46,198)
27145000 CIAC-Taxable - Hydrants FIT	(38,415)	1,176	(39,591)
27206000 Accum Amort CIAC - Other	6,020,895	262,577	5,758,318
27210000 Accum Amort CIAC - Tax	1,253,849	76,441	1,177,408
Total: Contributions in aid of construction	(19,955,591)	(671,641)	(19,283,950)
Total: CAPITAL AND LIABILITIES	(372,014,560)	(30,431,826)	(341,582,734)
Total: BALANCE SHEET (Net Profit)	5,484,926	2,124,449	3,360,477

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 011

If not provided in response to other items, provide the latest fiscal year-end Income Statement and Balance Sheet for TAWC, its Parent, Multi-State Utility, and Affiliated Utility Service Company. Provide an explanation of any differences in the year-end Income Statement and Balance Sheet for TAWC, its Parent, Multi-State Utility, and Affiliated Utility Service Company as set forth in its Annual Report to shareholders and its internal financial statements.

Response:

Please refer to 2024 TAWC MFG Q011_Attachment for year-ending December 31, 2023, Income Statement and Balance Sheet for TAWC.

Please refer to 2024 TAWC MFG Q011_Attachment 2 for the explanation of any differences in the year-end Income Statement and Balance Sheet for TAWC provided in 2024 TAWC MFG Q011_Attachment and the TAWC 2023 Unaudited Financial Statements referred to in response to MFG 004 and TAWC 2024 TAWC MFG Q004_Attachment 18.

Tennessee-American Water Company
Balance Sheet
For the Year Ended December 31, 2023
2024 TAWC MFG Q011_Attachment

Structure	Dec 2023
Assets	
Utility Plant In Service	472,103,892
Construction Work In Progress	5,201,244
Utility Plant Accumulated Depreciation/Amortization	(133,769,104)
Total Utility Plant Adjustment	(3,749,579)
Utility property, net of accumulated depreciation	339,786,453
Nonutility property, net of accumulated depreciation	0
Total Property, Plant and Equipment	339,786,453
Cash and Cash Equivalents	(53,787)
Restricted Funds Current	0
Accounts Receivable, net	6,454,850
Unbilled Revenues	2,874,144
Materials and Supplies	1,366,374
Assets of discontinued operations -------	0
Other current assets	769,626
Total Current Assets	11,411,207
Regulatory Assets	26,196,950
Other Investments	0
Restricted Funds-Long Term	0
Goodwill	0
Intangible assets	0
Operating lease Right of Use Assets	1,066
Other Long Term Assets	103,810
Total Regulatory and Other L/T Assets	26,301,826
Total Assets	377,499,486
Capital & Liabilities	
Common stock	13,754,235
Paid in Capital	86,809,406
Retained Earnings	46,700,943
Accumulated other comprehensive income	0
Treasury stock	0
Total Stockholder(s) Equity	147,264,584
Preferred Stock without mandatory redemption requireme	0
Noncontrolling Interest ----------	0
Total Equity	147,264,584
Long Term Debt	111,674,751
Redeemable Preferred Stock at redemption value	0
Total Long-term debt	111,674,751
Total Capitalization	258,939,335
Short-Term Debt	8,252,789
Current Portion Long-term Debt	11,000,000
Current portion redeemable preferred stock	0
Accounts Payable	5,643,533
Taxes Accrued	2,853,953
Interest Accrued	1,031,478
Liabilities of Discontinued Operations -------	0
Other current liabilities	4,241,081
Total Current Liabilities	33,022,835
Customer Advances for Construction	8,599,830
Deferred Income Taxes	45,596,189
Deferred Investment tax credits	12,156
Regulatory liability	13,557,194
Accrued Pension	(3,084,468)
Accrued postretirement benefit expense	(5,043,340)
Operating lease long-term liabilities	110
Other Deferred Credits	459,127
Regulatory & Other Long Term Liabilities	60,096,799
Contributions in aid of Construction	19,955,591
Net income (loss)	5,484,926
Total Capital and Liabilities	377,499,486

Tennessee-American Water Company
Income Statement
For the Year Ended December 31, 2023
2024 TAWC MFG Q011_Attachment

G/L Account	Structure	2023
[+] AW0296	Water revenues	(64,996,160)
[+] AW0298	Other revenues	(1,180,215)
[-] AW0295	Operating revenues	(66,176,374)
[+] AW02155	Purchased water	177,451
[+] AW02154	Fuel and power	871,816
[+] AW02156	Chemicals	2,505,288
[+] AW02157	Waste disposal	688,679
[-] AW02126	Production costs	4,243,234
[+] AW02158	Salaries and wages	5,719,662
[+] AW02159	Pension expense	588,298
[+] AW02160	Group insurance expense	190,533
[+] AW02161	Other benefits	494,871
[-] AW02127	Employee-related costs	6,993,364
[+] AW02185	Service Company Costs	8,134,614
[+] AW02162	Contracted services	990,301
[+] AW02187	Building Maintenance and Services	307,330
[+] AW02188	Telecommunication expenses	313,503
[+] AW02189	Postage, printing and stationary	13,211
[+] AW02163	Office supplies and services	159,833
[+] AW02190	Advertising & marketing expense	0
[+] AW02109	Employee related expense travel & entertainme	196,355
[+] AW02166	Miscellaneous expenses	635,049
[+] AW02165	Rents	8,429
[+] AW02164	Transportation	438,484
[-] AW02128	Operating supplies and services	3,062,496
[+] AW02168	Uncollectible accounts expense	382,661
[+] AW02170	Customer accounting, other	84,683
[+] AW02172	Regulatory expenses	0
[+] AW02171	Insurance other than group	1,267,232
[+] AW02129	Maintenance supplies and services	1,219,651
[+] AW02173	Balance sheet pass through	0
[+] AW02174	Capital movements	0
[-] AW02111	Operation and maintenance expense	25,387,935
[+] AW02132	Depreciation	10,813,453
[+] AW02133	Amortization	1,116
[+] AW02134	Removal costs, net	822,007
[-] AW02112	Depreciation and amortization	11,636,575
[+] AW02146	Current income taxes - operating	397,239
[+] AW02122	Deferred taxes	4,081,435
[+] AW02123	Amortization of investment tax credits	(4,764)
[-] AW02121	Incomes Taxes -Operating	4,473,910
[+] AW02113	General taxes	6,389,275
[-] AW02108	Operating expenses, net	47,887,694
[-] AW02184	Operating Income (loss)	(18,288,680)
[+] AW02114	Gain/Loss on sale of assets	0
[+] AW02117	Allowance for funds used during construction	(245,982)
[+] AW02142	Other miscellaneous income	(6,080)
[+] AW02143	Interest Income	(164,409)
[-] AW0218	Other Income	(416,471)
[+] AW02145	Other miscellaneous deductions	9,107
[+] AW02152	Current federal income taxes	0
[+] AW02153	Current state income	0
[-] AW02130	Other Deductions	9,107
[+] AW02135	Interest on long-term debt	4,759,960
[+] AW02136	Interest on short-term debt	354,936
[+] AW02138	Other interest expense	193
[+] AW02118	Allowance for borrowed funds used during cons	(265,187)
[+] AW02119	Amortization of debt expense	128,171
[-] AW02116	Interest Charges	4,978,073
[-] AW02110	Other Income (Expenses)	4,570,710
[-] AW02182	Income (loss) before income taxes	(13,717,971)
[-] AW02181	Net income (loss)	(13,717,971)
[-] AW02180	Net Income Available to common stockholders	(13,717,971)
AWTR/86021500	Common Dividends	8,233,045
[-] AW02125	Common Dividends	8,233,045
[-] AW0294	PROFIT & LOSS STATEMENT	(5,484,926)
[-] AW02	PROFIT & LOSS STATEMENT	(5,484,926)

Tennessee-American Water Company **2024 TAWC MFG Q011_Attachment 2**
Reconciliation of Financials Statements (Unaudited) to Year End Financial Statements
Balance Sheet
For the Year Ended December 31, 2023

Financials Statements (Unaudited)		Year End Financial Statements			
Line Item	**Amount**	**Line Item**	**Amount**	**Difference**	**Explanation**
Total property, plant and equipment	339,786,000	Total property, plant and equipment	339,786,453	(453)	rounding
Cash	388,000	Cash and Cash Equivalents	(53,787)	441,787	
		Reconciling Items:			
		Includes outbound checks	(441,976)		
			(441,976)	441,976	
Reconciled total	388,000	Reconciled total	388,189	(189)	rounding
Accounts receivable	5,209,000	Accounts Receivable, net	6,454,850		
Allowance for uncollectible accounts	(335,000)				
Receivables - affiliated company	2,558,000				
Subtotal	7,432,000	Subtotal	6,454,850	977,150	
Reconciling Items:					
Includes payables from affiliates	(464,000)				
Includes accrued federal income tax	1,151,000				
Presentation entry- intercompany balances	289,000				
	976,000			976,000	
Reconciled total	6,456,000	Reconciled total	6,454,850	1,150	rounding
Unbilled utility revenues	2,874,000	Unbilled Revenues	2,874,144	(144)	rounding
State income tax receivable	925,000		0	925,000	
Reconciling Items:					
Includes accrued state income tax	925,000				
	925,000			925,000	
Reconciled total	0	Reconciled total	0	0	
Materials and supplies	1,366,000	Materials and Supplies	1,366,374	(374)	rounding
Current regulatory assets	124,000	Other current assets	769,626		
Other	645,000				
Total	769,000	Total	769,626	(626)	rounding
Regulatory assets	26,197,000	Regulatory Assets	26,196,950	50	rounding
Prepaid pension expense	3,084,000				
Prepaid postretirement benefit expense	5,043,000				
Subtotal	8,127,000	Subtotal	0	8,127,000	
Reconciling Items:					
Includes accrued pension expense	3,084,000				
Includes accrued postretirement benefit expense	5,043,000				
	8,127,000		0	8,127,000	
Reconciled total	0	Reconciled total	0	0	
Operating lease right-of-use assets	1,000	Operating lease Right of Use Assets	1,066		
Other	104,000	Other Long Term Assets	103,810		
Total	105,000	Total	104,876	124	rounding
TOTAL ASSETS	377,941,000	TOTAL ASSETS	377,941,462	(462)	rounding

Tennessee-American Water Company **2024 TAWC MFG Q011_Attachment 2**
Reconciliation of Financials Statements (Unaudited) to Year End Financial Statements
Balance Sheet
For the Year Ended December 31, 2023

Financials Statements (Unaudited)		Year End Financial Statements			
Line Item	Amount	Line Item	Amount	Difference	Explanation
Common stockholder's equity	152,749,000	Common stock	13,754,235		
		Paid in Capital	86,809,406		
		Retained Earnings	46,700,943		
		Net income (loss)	5,484,926		
Total	152,749,000	Total	152,749,510	(510)	rounding
Long-term debt, excluding current portion	111,675,000	Long Term Debt	111,674,751		
Current portion of long-term debt	11,000,000	Current Portion Long-term Debt	11,000,000		
Total	122,675,000	Total	122,674,751	249	rounding
Notes payable - affiliated company	8,268,000	Short-Term Debt	8,252,789	15,211	
		Reconciling Items:			
		Includes clearing outgoing payment	(15,342)		
			(15,342)	15,342	
Reconciled total	8,268,000	Reconciled total	8,268,132	(132)	rounding
Accounts payable	5,180,000	Accounts Payable	5,643,533		
Payables - affiliated company	289,000				
Subtotal	5,469,000	Subtotal	5,643,533	(174,533)	
Reconciling Items:		Reconciling Items:			
Presentation entry- intercompany balances	289,000	Includes intercompany payables	463,905		
	289,000		463,905	(174,905)	
Reconciled total	5,180,000	Reconciled total	5,179,628	372	rounding
Other accrued taxes	4,930,000	Taxes accrued	2,853,953	2,076,047	
Reconciling Items:					
Accrued federal income tax included in assets	1,151,000				
Accrued state income tax included in assets	925,000				
	2,076,000			2,076,000	
Reconciled total	2,854,000	Reconciled total	2,853,953	47	rounding
Interest accrued	1,031,000	Interest accrued	1,031,478	(478)	rounding
Refunds due to customers	780,000	Other current liabilities	4,241,081		
Other	3,887,000				
Subtotal	4,667,000	Subtotal	4,241,081	425,919	
Reconciling Items:					
Includes outbound checks	442,000				
Includes clearing outgoing payment	(15,000)				
	427,000			427,000	
Reconciled total	4,240,000	Reconciled total	4,241,081	(1,081)	rounding
Regulatory liabilities	13,557,000	Regulatory liability	13,557,194		
Advances for construction	8,600,000	Customer Advances for Construction	8,599,830		
Deferred income taxes	45,596,000	Deferred Income Taxes	45,596,189		
Deferred investment tax credits	12,000	Deferred Investment tax credits	12,156		
Reconciled total	67,765,000	Reconciled total	67,765,369	(369)	rounding
		Accrued Pension	(3,084,468)		
		Accrued postretirement benefit expense	(5,043,340)		
Subtotal	0	Subtotal	(8,127,807)	8,127,807	
Reconciling Items:					
Accrued pension expense included in assets	3,084,000				
Accrued postretirement benefit expense included in assets	5,043,000				
	8,127,000			8,127,000	
Reconciled total	(8,127,000)	Reconciled total	(8,127,807)	807	rounding
Other tax liabilities	459,000	Other deferred credits	459,127	(127)	rounding
Contributions in aid of construction	19,956,000	Contributions in aid of Construction	19,955,591	409	rounding

Tennessee-American Water Company **2024 TAWC MFG Q011_Attachment 2**
Reconciliation of Financials Statements (Unaudited) to Year End Financial Statements
Balance Sheet
For the Year Ended December 31, 2023

Financials Statements (Unaudited)		Year End Financial Statements			
Line Item	**Amount**	**Line Item**	**Amount**	**Difference**	**Explanation**
TOTAL LIABILITIES AND CAPITAL	377,050,000	TOTAL LIABILITIES AND CAPITAL	377,050,814	(814)	
Reconciling items:		Reconciling items:			
one-sided reconciling items	891,000	one-sided reconciling items	890,539	461	
Reconciled to TOTAL ASSETS	377,941,000	Reconciled to TOTAL ASSETS	377,941,353	(353)	rounding
TOTAL BALANCE SHEET	387,969,000	TOTAL BALANCE SHEET	377,499,486		
Liabilities recorded as assets	10,028,000	Liabilities recorded as assets	(441,976)		
Reconciled total	377,941,000	Reconciled total	377,941,462	(462)	rounding

Tennessee-American Water Company **2024 TAWC MFG Q011_Attachment 2**
Reconciliation of Financials Statements (Unaudited) to Year End Financial Statements
Income Statement
For the Year Ended December 31, 2023

Annual Report Line Item	Amount	Rate Case (signs are reversed from statement for coherence) Line Item	Amount	Difference	Explanation
Operating revenues	66,176,000	Operating revenues	66,176,374	(374)	rounding
Operation and maintenance	25,747,000	Operation and maintenance expense	25,387,935	359,065	
		Reconciling Items:			
		Includes other non-service benefit cost	(359,208)		
			(359,208)	359,208	
Reconciled total	25,747,000	Reconciled total	25,747,143	(143)	rounding
Depreciation	10,813,000	Depreciation and amortization	11,636,575		
Amortization	823,000				
Reconciled total	11,636,000	Reconciled total	11,636,575	(575)	rounding
General taxes	6,389,000	General taxes	6,389,275	(275)	rounding
Total operating expenses, net	43,772,000	Operating expenses, net	47,887,694	(4,115,694)	
		Reconciling Items:			
		Includes other non-service benefit cost	(359,208)		
		Includes income taxes-operating	4,473,910		
			4,114,702	(4,114,702)	
Reconciled total	43,772,000	Reconciled total	43,772,992	(992)	rounding
Interest on long-term debt	(4,977,000)	Interest income	164,409		
		Interest on long-term debt	(4,759,960)		
		Interest on short-term debt	(354,936)		
		Other interest expense	(193)		
Subtotal	(4,977,000)	Subtotal	(4,950,681)	(26,319)	
		Reconciling Items:			
		Includes intercompany interest income	26,152		
	0		26,152	(26,152)	
Reconciled total	(4,977,000)	Reconciled total	(4,976,833)	(167)	rounding
Allowance for other funds used during construction	246,000	Allowance for funds used during construction	245,982		
Allowance for borrowed funds used during construction	265,000	Allowance for borrowed funds used during cons	265,187		
Amortization of debt issuance costs	(128,000)	Amortization of debt expense	(128,171)		
Non-operating benefit costs, net	359,000				
Subtotal	742,000	Subtotal	382,998	359,002	
Reconciling Items:					
Includes Non-operating benefit costs, net	359,000				
	359,000			359,000	
Reconciled total	383,000	Reconciled total	382,998	2	rounding
Other, net	23,000	Other miscellaneous income	6,080		
		Other miscellaneous deductions	(9,107)		
Subtotal	23,000	Subtotal	(3,027)	26,027	
Reconciling Items:					
Includes intercompany interest income	26,000				
	26,000			26,000	
Reconciled total	(3,000)	Reconciled total	(3,027)	27	rounding
Provision for income taxes	4,474,000		0	4,474,000	
Reconciling Items:					
Includes Provision for income taxes	4,474,000	(already included in operating expenses, net)			
	4,474,000		0	4,474,000	
Reconciled total	0	Reconciled total	0	0	rounding
Net Income	13,718,000	Net Income	13,717,970	30	rounding

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 012

Provide all detailed workpapers, cost studies, or other data supporting all proposed tariff changes, adjustments to revenues, expenses, rate base, and other changes included in the testimony and exhibits filed by TAWC. Provide computer files containing schedules for all computer-based calculations.

Response:

Please see the zip folder named TAWC 2024 Rate Case for the requested information.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: John Watkins

Question 013

Provide a detailed list of all TAWC's affiliated party transactions for the past two years, including the nature and amount of each transaction.

Response:

TAWC has affiliated party transactions with American Water Capital Corp (AWCC) where they are provided short and long-term debt funding and investments. TAWC also has affiliated party transactions with American Water Works Service Company (AWWSC) that provides services which include accounting and finance, administration, business development, communications, compliance, education and training, engineering, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, rates and regulatory support, security, risk management, treasury, water quality and research and development.

Please refer to 2024 TAWC MFG Q013_Attachment for the transaction amounts for the last two years.

Tennessee American Water Company
Docket No. 24-XXXXX
Minimum Filing Guidelines - Question 013

American Water Capital Corp Expenses

For the 12 Months Ended 12/31/2022

GL Account	GL Account Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Grand Total
52526100	Credit Line Fees I/C	$4,221	$4,121	$4,260	$3,992	$3,926	$4,118	$4,181	$3,914	$3,946	$2,727	$2,814	$2,552	$44,774
81315000	Interest STD Interco	15,376	(12,608)	1,093	2,179	506	-	3,982	5,705	7,693	18,770	20,969	29,752	93,416
81015000	Interest LTD Interco	319,834	319,834	319,834	319,834	335,904	338,376	338,376	338,376	338,376	338,376	338,376	338,376	3,983,873
81017200	Early Debt Retirement Loss - Intercompany	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	28,032
82015000	Amortize Debt Disc & Exp Intercompany	6,116	6,116	6,116	6,114	6,347	6,462	6,464	6,464	6,464	6,464	6,464	6,464	76,057
American Water Capital Corp Total		**$347,883**	**$319,800**	**$333,639**	**$334,455**	**$349,019**	**$351,291**	**$355,340**	**$356,795**	**$358,816**	**$368,674**	**$370,959**	**$379,480**	**$4,226,152**

For the 12 Months Ended 12/31/2023

GL Account	GL Account Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Grand Total
52526100	Credit Line Fees I/C	$3,753	$3,718	$4,671	$3,837	$4,154	$3,842	$6,236	$4,426	$4,466	$4,646	$4,536	$3,270	$51,555
81315000	Interest STD Interco	44,359	51,093	45,008	36,312	37,723	39,361	50,816	17,164	-	4,818	6,130	22,152	354,936
81015000	Interest LTD Interco	338,376	338,376	338,376	338,376	338,376	338,376	338,376	362,543	383,689	383,688	383,689	383,689	4,265,929
81017200	Early Debt Retirement Loss - Intercompany	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	2,336	28,032
82015000	Amortize Debt Disc & Exp Intercompany	6,464	6,163	6,916	6,461	6,461	6,461	6,461	9,317	12,275	12,740	12,740	12,740	105,200
American Water Capital Corp Total		**$395,289**	**$401,686**	**$397,307**	**$387,323**	**$389,050**	**$390,376**	**$404,225**	**$395,786**	**$402,766**	**$408,228**	**$409,430**	**$424,186**	**$4,805,652**

Tennessee American Water Company
Docket No. 24-XXXXX
Minimum Filing Guidelines - Question 013

American Water Works Service Company Expenses (O&M portion)
For the 12 Months Ended 12/31/2022

Function	Cost Center	Cost Center Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Grand Total
Business Development	332020	CORP-Corp Bus Dev	$3,940	$4,498	$7,382	$2,361	$3,368	$10,419	$1,805	$4,899	$4,738	$4,034	$3,550	$6,166	$57,161
	332050	CORP-EA & Pblc Plcy	81	590	20	60	38	4	1	11	(9)	2	(0)	12	810
Business Development Total			**4,020**	**5,088**	**7,402**	**2,421**	**3,407**	**10,422**	**1,807**	**4,910**	**4,729**	**4,036**	**3,549**	**6,179**	**57,971**
Central Lab	334517	Central Lab	4,278	2,115	6,841	3,259	5,672	9,429	5,816	7,574	6,842	9,033	4,577	10,438	75,874
Central Lab Total			**4,278**	**2,115**	**6,841**	**3,259**	**5,672**	**9,429**	**5,816**	**7,574**	**6,842**	**9,033**	**4,577**	**10,438**	**75,874**
Corp Admin	332001	CORP CEO & BOARD	6,875	37,344	67,549	(43,091)	10,650	21,776	24,851	9,746	44,836	10,820	9,901	55,242	256,500
	332041	CORP-Legal BOD	8,640	711	901	7,480	765	32,879	6,681	197	24	7,089	669	3,177	69,212
	332070	CORP-SharedBusSvcAdm	163	161	163	164	159	166	156	168	155	164	155	156	1,928
	332090	Cap Admin Credits	(25,858)	(28,191)	(42,653)	(16,694)	(24,741)	(37,634)	(38,666)	(26,753)	(35,360)	(26,899)	(26,331)	(49,043)	(378,824)
	332095	CORP-Admin	9,658	15,732	31,772	49,892	31,424	41,445	27,757	34,581	28,930	25,800	28,839	26,504	352,334
	332098	CORP-Non-Depart Cost	(2,167)	12,790	5,887	(177)	414	7,428	(8,514)	(4,642)	1,203	(3,723)	(3,915)	(46,853)	(42,270)
	332099	Cap of Admin	3,964	3,964	18,543	(4,807)	3,964	9,000	3,884	3,884	12,709	3,884	3,884	15,166	78,037
	332505	SSC-Administration			(17,761)										(17,761)
	332571	CORP-PTP General Tax										5			5
	332582	CORP-Procurement				1									1
	332595	CORPAdm-Depr-NDiv	9,621	9,599	9,599	9,557	9,535	11,489	1,076	1,068	1,063	983	1,050	1,043	65,683
Corp Admin Total			**10,894**	**52,109**	**74,000**	**2,325**	**32,170**	**86,549**	**17,223**	**18,248**	**53,561**	**18,123**	**14,250**	**5,393**	**384,843**
Corporate Security	332077	CORP-Security Ops	84,944	43,392	74,294	61,365	61,966	68,940	52,072	61,048	67,954	58,880	58,139	83,115	776,110
Corporate Security Total			**84,944**	**43,392**	**74,294**	**61,365**	**61,966**	**68,940**	**52,072**	**61,048**	**67,954**	**58,880**	**58,139**	**83,115**	**776,110**
Customer Service Organization (CSO)	332045	Customer Experience	13,580	13,805	19,544	10,786	15,006	16,161	11,862	16,172	15,826	13,332	15,182	23,366	184,623
	334005	CCA-Administration	61	1,393	622	735	552	1,369	(617)	(28)	302	824	320	(4,281)	1,250
	334070	CCA-Call Handling	1,116	53	197	10	15	218	(30)	35	(7)	27	16	(465)	1,185
	334071	CCA-Billing	848	(144)	45	(53)	235	53	759	1,050	4	29	17	(1,770)	1,074
	334072	CCA-Collections	16	30	3	(7)		1		12	8	33		(71)	25
	334073	CCA-Oper & Perform	(753)	7,191	7,234	3,400	3,499	2,803	1,208	2,998	3,133	2,826	(3,370)	(24,328)	5,843
	334074	CCA-Business Srvcs	(17)	1	1	12									(2)
	334075	CCA-Education & Dev	5	3	(9)										(1)
	334077	CCA-Rate Implement	(1)	18	14	10	(29)	(12)		0					(1)
	334078	Customer Care	52,643	48,639	55,000	56,206	60,102	54,934	54,433	45,653	54,909	51,380	54,252	154,794	742,946
	334079	Billing & Collection	37,291	26,944	17,978	29,819	27,906	24,382	34,776	26,736	23,697	23,197	23,055	23,354	319,136
	337005	CCP-Administration	1	1	1	2	(0)	1	1	1	1	1	1	1	15
	337070	CCP-Call Handling	241	(211)	3	(1)	4	0	(40)	206	0	59	748	(645)	364
	337073	CCP-Oper & Sprt	3,169	2,088	(2,639)	3,335	467	180	(1,664)	2,599	832	(1,769)	134	(2,837)	3,896
	337075	CCP-Education & Dev	1	1	(3)										(0)
	337076	CCP-Quality & Rprtg	29,043	(1,831)	(1,957)	10,090	8,047	10,831	11,396	12,228	10,160	14,629	12,829	11,123	126,589
	337077	CSC Supp-PostageCost	27,418	30,179	30,115	29,214	30,727	21,337	36,831	32,521	31,311	31,305	30,641	30,262	361,860
	337078	CSC Supp-FormsCost	11,516	10,671	8,866	8,318	9,262	9,920	10,400	9,932	14,454	1,258	9,675	9,210	113,482
	337079	CSC Supp-Other Cost	(142)	39,594	65,518	26,640	34,450	48,660	54,907	27,640	31,399	57,805	55,906	23,231	465,607
Customer Service Organization (CSO) Total			**176,038**	**178,425**	**200,534**	**178,517**	**190,244**	**190,838**	**214,222**	**177,755**	**186,030**	**194,935**	**199,408**	**240,943**	**2,327,890**
Environmental Leadership	332066	CORP-Innov&Env Stwd	2,367	2,446	(3,462)	3,131	3,041	3,033	2,743	3,715	3,902	3,859	3,623	6,202	34,599
	332166	Environmental Comp	3,284	3,680	7,365	1,380	3,602	5,365	3,509	5,102	5,761	4,054	4,097	7,444	54,644
	336011	WD-Environmentl Mgmt	951	808	1,022	1,498	1,445	1,635	1,355	1,325	1,531	1,218	1,370	1,524	15,682
Environmental Leadership Total			**6,602**	**6,934**	**4,925**	**6,009**	**8,089**	**10,033**	**7,608**	**10,141**	**11,194**	**9,131**	**9,090**	**15,169**	**104,925**
External Affairs & Public Policy	332085	CORP-External Comm	9,817	8,209	16,738	3,723	9,105	13,036	8,344	9,419	11,713	8,906	10,681	9,528	119,219
	332086	CORP-Internal Comm	2,713	2,455	5,424	1,168	1,895	3,011	2,661	2,208	2,591	2,189	2,069	2,960	31,343
	332087	CORP-Social Respons			48		5								53
External Affairs & Public Policy Total			**12,530**	**10,664**	**22,210**	**4,892**	**11,004**	**16,047**	**11,004**	**11,627**	**14,304**	**11,095**	**12,750**	**12,489**	**150,614**
Facilities	332042	CORP-CITE Voorhees	119	103	139	102	125	119	143	128	129	137	(104)		1,140
	337600	One Water Street	14,490	15,063	13,811	14,501	13,265	13,457	8,189	14,314	15,278	16,545	12,880	15,212	167,004
	337640	One Water St - Div	1,277	1,307	1,277	1,356	1,270	1,266	1,269	1,281	1,263	1,359	1,368	1,259	15,551
	337650	One Water St-Non Div	2,546	2,545	2,539	2,618	2,555	2,545	2,542	2,532	2,544	2,585	2,554	2,500	30,605
Facilities Total			**18,432**	**19,018**	**17,765**	**18,576**	**17,215**	**17,387**	**12,143**	**18,255**	**19,214**	**20,625**	**16,698**	**18,971**	**214,300**

Tennessee American Water Company
Docket No. 24-XXXXX
Minimum Filing Guidelines - Question 013

American Water Works Service Company Expenses (O&M portion)
For the 12 Months Ended 12/31/2022

Function	Cost Center	Cost Center Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Grand Total
Finance	332007	CORP-Finance	2,572	3,088	8,954	522	4,145	6,101	6,214	3,502	6,042	3,906	4,083	10,149	59,278
	332017	CORP-ServCo FP&A	12,571	10,738	9,642	9,916	9,339	11,371	6,566	11,165	11,253	8,055	9,077	9,451	119,142
	332021	Treasury Admin	3,251	3,761	7,774	1,355	3,644	5,105	3,896	3,649	5,691	3,809	12,468	8,280	62,684
	332047	CORP-Income Tax	23,536	9,341	13,883	10,285	11,533	13,271	8,316	13,985	10,271	17,701	10,543	10,742	153,408
	332057	CORP-Treasury	1,294	1,283	5,417	2,036	1,860	2,112	(59)	2,074	1,595	1,704	5,342	800	25,457
	332060	CORP-Audit	9,872	5,660	6,432	2,720	8,390	4,391	5,995	14,172	4,807	3,076	5,230	11,728	82,473
	332061	CORP-ERM	389	406	291	478	430	1,422	391	284	531	431	1,213	553	6,820
	332517	CORP-Plan & Rptg	1,674	2,268	3,864	645	2,004	444	2,471	5,957	258	1,924	2,273	1,223	25,006
	332519	CORP-HTRClaims Mgmnt	1,071	1,074	1,254	1,097	1,187	1,104	1,166	1,162	1,141	688	1,196	1,075	13,215
	332570	CORP-RTR Acctg & Rep	7,195	6,707	6,447	6,152	6,773	6,998	6,649	8,224	5,897	6,681	6,465	4,382	78,570
	332573	Ext Rprtng & Tech Ac	2,878	2,872	3,543	3,008	3,414	3,372	3,168	4,238	2,810	3,239	2,821	2,842	38,206
	332574	Regulatory Reporting	14,000	14,181	21,522	12,510	14,652	15,655	18,935	17,096	15,463	14,706	16,950	19,566	195,238
	332575	CORP-PTP Cash Oper	2,577	2,386	5,639	2,571	2,385	2,490	2,326	2,545	2,406	2,600	3,181	1,834	32,940
	332577	CORP-Util Plant Acct	101	96	121	96	97	940	541	628	676	563	587	3,489	7,937
	332579	CORP-HTR Empl Svcs	50	48	50	48	48	53	48	52	48	50	46	48	587
	332581	CORP-RTRPayroll Acct	4,499	4,677	5,032	3,811	4,795	4,073	5,357	5,031	4,567	4,368	4,632	4,602	55,445
	332584	CORP-PTPAcct Payable	11	(864)	(1,265)	(373)	40	(750)	(4,427)	111	(2,396)	(1,418)	188	(541)	(11,684)
	332617	Reg, CorpTax, FinTec	1,445	1,613	3,215	495	1,417	2,284	1,248	1,364	2,672	1,306	1,437	4,274	22,770
	335207	CD - FP & A	130	158	155	133	132	96	90	77	112	102	119	89	1,393
	335307	MAD - F P & A	19	11	21	12	11	12	19	13	3,997	2,122	2,909	1,466	10,612
	335407	NED - F P & A	(89)	4	1	4	(0)	4	2	3	11	2	11	10	(37)
	335507	ED-Finance									8		14		23
	335605	Corp FP&A - Admin	898	441	176	445	290	(301)	36	359	135	143	134	900	3,656
	335607	T&I Finance	681	631	756	977	906	741	574	688	661	633	672	667	8,587
	336207	SE - FP & A	13,652	12,609	14,056	10,344	11,541	1,607	3,455	9,757	542	3,171	8,642	7,576	96,951
	337777	CORP-CFO	3,966	5,143	1,892	1,425	1,702	30,852	2,790	2,950	11,841	2,812	2,696	11,148	79,218
Finance Total			**108,246**	**88,335**	**118,874**	**70,710**	**90,736**	**113,448**	**75,764**	**109,087**	**91,038**	**82,374**	**102,930**	**116,352**	**1,167,894**
Human Resources	332002	CORP-HR Comp/Benefit	2,132	3,892	2,512	2,706	5,106	2,849	(1,453)	1,859	6,712	1,237	(578)	3,381	30,356
	332003	CORP-HR Talent Dev	1,137	827	3,774	7,093	2,586	5,570	3,557	3,559	4,405	4,897	3,226	1,954	42,585
	332004	CORP-HR Labor Relatn	1,868	2,501	3,423	2,775	3,143	3,156	2,732	2,888	2,521	2,689	2,648	2,533	32,876
	332006	CORP-Business Ctr HR	3,548	3,455	4,371	3,165	3,761	3,839	3,515	3,807	3,550	3,475	3,588	1,990	42,063
	332013	Core HR Admin&OrgMgt	2,563	2,696	3,671	2,528	3,469	3,117	4,088	2,540	2,452	2,190	2,154	2,835	34,303
	332014	CORP-Benefit Svc Ctr	3,568	3,289	6,239	7,443	4,538	7,200	6,400	3,937	5,606	6,057	5,304	6,062	65,643
	332018	CORP-Human Resources	14,600	14,802	25,414	6,039	13,539	10,834	14,932	15,290	14,243	13,615	8,720	17,548	169,576
	332038	CORP-WD HR	75	78	81	71	70	73	70	65	75	62	68	73	861
	332048	CORP-HR Hlth&Well	(1,369)	655	447	591	506	814	999	1,141	1,404	990	1,520	1,573	9,270
	332058	CORP-HR Admin	18	68	32	1,381	1,967	5,932	2,405	3,157	5,746	2,177	3,065	9,752	35,700
	332082	CORP-Oper. Education	241	1,468	1,044	490	673	26	(852)	293	382	334	369	294	4,761
	332518	CORP- HTR HR Svc CC	576	516	660	512	348	54	223	249	236	226	248	531	4,379
	332520	CORP-HTR HR Svc Adm	(1,277)	2,016	2,000	1,691	666	3,187	2,090	1,964	1,885	591	4,352	2,323	21,489
	334018	CCA-Human Resources	2	29	30	45	18	13	16	12		1		4	170
	336218	SE - Human Resources	40	36	298	624	208	(5)	141	403	275	612	60	602	3,293
	336518	Talent Acquisition	3,887	3,559	5,400	3,380	5,398	5,283	3,223	4,132	4,122	4,220	3,923	4,416	50,944
Human Resources Total			**31,611**	**39,888**	**59,397**	**40,533**	**45,995**	**51,941**	**42,085**	**45,294**	**53,615**	**43,373**	**38,666**	**55,872**	**548,270**
Investor Relations	332037	CORP-Investr Relatn	3,922	2,231	3,425	3,065	13,987	3,300	4,302	4,331	3,249	3,161	2,466	3,222	50,660
Investor Relations Total			**3,922**	**2,231**	**3,425**	**3,065**	**13,987**	**3,300**	**4,302**	**4,331**	**3,249**	**3,161**	**2,466**	**3,222**	**50,660**
Legal	332015	CORP-Legal	16,012	15,125	41,360	1,438	9,503	23,446	14,257	12,906	33,361	11,616	26,534	29,671	235,229
	332115	Legal-Ethics & Compl	4,513	2,800	4,010	1,226	1,875	181	2,467	1,877	2,068	1,795	1,843	5,021	29,675
	332215	Legal - Rates & Reg	705	730	595	804	1,294	641	1,445	(39)	1,676	696	936	(51)	9,433
	332315	Legal-Contracts&Comm	61	58	61	674	(39)	2,937	2,765	1,464	2,863	1,011	2,214	1,888	15,958
	332415	Corp Secretary-Legal	57	55	634	951	660	2,728	2,001	1,917	1,802	2,561	2,167	2,105	17,637
	335215	CD - Legal	310	408	522	342	382	320	414	204	381	445	240	1,203	5,170
	335315	MAD - Legal	50	32	61	59	48	53	172	103	152	242	77	78	1,127
	335415	NED - Legal	(53)	8	42	39	32	38	104	81	36	161	50	46	584
	335815	MBB - Legal	96	92	96	91	92	102	91	99	92	97	89	92	1,128
	336215	SE - Legal	21,974	18,474	35,076	6,567	16,633	21,852	17,642	17,301	25,085	29,451	(2,210)	(42,764)	165,082
Legal Total			**43,726**	**37,782**	**82,456**	**12,191**	**30,481**	**52,297**	**41,358**	**35,912**	**67,514**	**48,076**	**31,941**	**(2,710)**	**481,022**

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American Water Works Service Company Expenses (O&M portion)
For the 12 Months Ended 12/31/2022

Function	Cost Center	Cost Center Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Grand Total
Operations Excellence	332016	CORP-Arc Flash	2,721	2,682	6,301	2,187	2,087	2,213	1,880	3,227	6,597	2,333	3,381	5,278	40,887
	332044	Operation Excellence	2,942	3,243	8,457	(492)	3,357	6,292	3,556	4,478	6,369	3,369	3,285	8,894	53,750
	332065	CORP-Asset Mgmnt	1,309	1,180	2,872	(533)	1,134	2,433	1,428	1,418	754	1,456	1,005	2,194	16,651
	332067	CORP-Oper Srvcs	8	15	1	71	127	(118)	47	34	108	202	96	10	603
	335203	CORP-CR-Area2-MainBV	22,004	27,154	29,835	24,554	23,781	17,884	15,415	16,111	20,970	18,994	18,172	18,020	252,893
	335303	CORP-CR-Area1-MainWB	2,177	1,236	1,935	1,890	1,617	1,723	2,134	1,838	3,023	2,418	(175)	1,955	21,771
	336550	CORP-COE-Engineering	384	363	1,121	(328)	349	829	423	404	840	396	377	1,135	6,292
	336551	CORP-COE-Tech Srvcs	1,170	1,394	1,540	680	1,282	1,998	1,442	1,334	1,982	1,273	1,569	1,802	17,465
Operations Excellence Total			**32,715**	**37,267**	**52,062**	**28,029**	**33,734**	**33,255**	**26,326**	**28,844**	**40,643**	**30,440**	**27,709**	**39,288**	**410,312**
Regulated Ops	332026	CORP-Regulated Ops	3,135	4,121	14,485	(2,958)	3,646	10,203	3,702	3,847	11,838	3,678	3,703	16,204	75,606
	335205	CD - Admin & Gen	752	1,004	998	763	788	572	479	462	630	619	802	538	8,406
	335212	CD - Rates	46	53	51	61	77	33	(17)	28	35	32	37	33	469
	335214	CD - Engineering	33	105	11	(4)	52	7	57	46	(15)	45	25	23	387
	335220	CD - Business Dev	110	149	143	131	117	87	71	70	95	94	89	81	1,237
	335225	CD - Externl Affairs	169	230	224	213	179	353	137	110	162	148	142	124	2,191
	335305	MAD - Admin & Generl	105	59	93	57	65	62	93	68	323	210	120	142	1,397
	335312	MAD - Rates	20	12	17	17	13	14	29	15	58	41	24	29	289
	335320	MAD - Business Dev	4	3	3	(3)	1	1	1	1	3	2	1	1	17
	335325	MAD - Externl Affrs	4	3	3	4	3	3	8	3	10	7	5	6	58
	335405	NED - Admin & Gen	(15)	9	19	(140)	(6)	45	(7)	10	9	33	15	(8)	(36)
	335412	NED - Rates	(61)	21	50	22	10	21	98	2	24	23	25	39	273
	335414	NED - Engineering						1,190	276			314		357	2,137
	335425	NED - Externl Affrs	(6)												(6)
	336205	SE - Admin & Gen	37,832	39,329	106,219	(16,512)	21,351	37,743	34,981	16,335	(39,266)	20,667	22,276	23,264	304,219
	336214	SE - Engineering	205	185	166	295	130	179	181	198	231	100	91	124	2,085
Regulated Ops Total			**42,333**	**45,282**	**122,482**	**(18,052)**	**26,427**	**50,512**	**40,089**	**21,194**	**(25,863)**	**26,014**	**27,357**	**40,957**	**398,730**
Safety	332019	CORP-Operationl Risk	3,228	3,954	7,036	(280)	2,571	(33)	979	1,325	1,370	1,574	2,274	1,192	25,191
	332180	Safety & Env Comp							2	85			7		94
Safety Total			**3,228**	**3,954**	**7,036**	**(280)**	**2,571**	**(33)**	**981**	**1,410**	**1,370**	**1,574**	**2,281**	**1,192**	**25,285**
Supply Chain	332010	CORP-Spply Chain-Src	980	1,076	4,136	(1,403)	1,024	1,794	2,156	1,361	3,527	2,598	4,026	3,083	24,359
	332110	Supply Chain Support	1,505	1,411	1,540	1,705	1,581	2,320	1,735	1,666	1,906	1,778	1,654	1,139	19,939
	332210	State Procurement	1,910	1,763	2,111	1,576	1,799	1,747	1,747	1,855	1,950	1,709	1,787	2,266	22,220
	332310	National Categories	2,780	2,744	3,298	2,749	2,556	3,472	2,631	2,800	2,807	2,605	2,908	2,145	33,496
	332410	Supplier Diversity	727	1,159	690	667	1,165	631	2,047	640	624	533	703	1,513	11,099
	332510	SupplyChain TechSup	(27)												(27)
Supply Chain Total			**7,875**	**8,151**	**11,775**	**5,295**	**8,124**	**9,965**	**10,316**	**8,323**	**10,814**	**9,223**	**11,077**	**10,147**	**111,086**
Technology and Innovation (T&I)	332030	CORP-ITS Client Serv	1			1	3	4	1	(3)	(1)	6	(7)	0	5
	332071	CORP-ITS Admin	(3,208)	36,457	22,868	2,942	10,507	2,788	7,022	9,460	6,518	8,871	11,130	11,537	126,891
	332073	CORP-ITS Operations	562	212	541	424	496	826	578	874	1,536	967	(389)	(78)	6,548
	332074	CORP-ITS Prod Dept										12			12
	332076	CORP-ITS Commun	31,565	36,460	28,239	28,933	28,781	29,996	25,562	19,415	21,043	18,285	20,362	20,227	308,868
	332078	CORP-ITS COE		0											0
	332079	CORP-ITS-BAD-Middle	7,618	4,854	3,341	2,821	5,762	2,381	2,817	4,929	5,318	3,754	3,882	3,434	50,911
	332080	CORP-ITS-BAD-Back	6,239	3,922	5,471	3,259	5,106	5,656	5,151	4,002	7,011	6,466	8,327	8,360	68,969
	332081	CORP-ITS-BAD-Q&M	4,535	2,218	3,356	2,412	1,969	3,461	1,704	2,993	3,143	2,793	4,742	6,547	39,873
	332083	CORP-ITS-BAD-FSA	13,112	6,829	3,970	8,344	8,928	12,228	9,851	10,895	15,346	19,712	21,166	16,642	147,024
	332175	CORP-SrvrWin/iSeries	572	595	717	557	552	540	282	341	319	145	121	180	4,923
	332190	CORP-ITS CS Projects	178	(7)	(360)	(141)	176	(176)	43	52	144		141	(203)	(152)
	332201	CTIO-Organization					1								1
	332231	CORP-ITS Comp/Fin	1	1	1	(2)									2
	332605	CORP-Proc Excellence					4	0	1	1	1	1	1	1	11
	333531	CORP-ITS Client Depr							84			(7)			77
Technology and Innovation (T&I) Total			**61,176**	**91,541**	**68,144**	**49,552**	**62,284**	**57,705**	**53,097**	**52,958**	**60,378**	**61,004**	**69,476**	**66,648**	**753,962**
Grand Total			**$652,569**	**$672,178**	**$933,623**	**$468,406**	**$644,104**	**$782,035**	**$616,213**	**$616,912**	**$666,586**	**$631,098**	**$632,364**	**$723,663**	**$8,039,750**

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American Water Works Service Company Expenses (O&M portion)
For the 12 Months Ended 12/31/2023

Function	Cost Center	Cost Center Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Grand Total
Business Development	332020	CORP-Corp Bus Dev	$3,816	$6,032	$5,872	$3,672	$4,511	$6,220	$4,361	$5,793	$9,158	$4,709	$5,520	$14,227	$73,892
	332050	CORP-EA & Pblc Plcy	11	510	(5)	0	35	(24)	66	(73)	(12)	8			515
Business Development Total			**3,827**	**6,541**	**5,867**	**3,672**	**4,546**	**6,196**	**4,427**	**5,721**	**9,146**	**4,717**	**5,520**	**14,227**	**74,407**
Central Lab	334517	Central Lab	10,311	2,959	6,956	1,229	2,652	9,624	7,091	3,100	5,588	4,500	3,416	13,847	71,274
Central Lab Total			**10,311**	**2,959**	**6,956**	**1,229**	**2,652**	**9,624**	**7,091**	**3,100**	**5,588**	**4,500**	**3,416**	**13,847**	**71,274**
Corp Admin	332001	CORP CEO & BOARD	13,325	12,189	25,275	11,119	13,589	39,073	12,013	13,122	57,391	11,251	9,822	22,029	240,199
	332041	CORP-Legal BOD	9,114	532	941	8,218	1,162	37,730	7,942	1,122	32	9,629	231	241	76,895
	332070	CORP-SharedBusSvcAdm	83	79	92	83	83	84	81	83	83	85	93	94	1,023
	332089	CORP-AWE Pass-Thru	19		4	44	34		21	57			39		218
	332090	Cap Admin Credits	(28,426)	(29,974)	(38,533)	(29,489)	(29,312)	(53,962)	(30,297)	(29,792)	(49,241)	(28,992)	(29,006)	(52,898)	(429,922)
	332095	CORP-Admin	34,103	40,371	36,240	29,225	39,228	34,286	32,768	40,991	36,529	31,020	43,634	11,425	409,817
	332098	CORP-Non-Depart Cost	(7,613)	(5,614)	(7,058)	1,670	(19,544)	(12,041)	(5,912)	(701)	1,376	2,225	2,045	(9,711)	(60,878)
	332099	Cap of Admin	4,144	4,144	12,126	4,460	4,460	16,102	4,652	4,652	24,735	4,652	4,652	16,218	104,997
	332571	CORP-PTP General Tax	2	29	58	(37)	98	10	(108)	2	2	(2)	27	(6)	75
	332595	CORPAdm-Depr-NDiv	1,049	1,044	1,038	1,033	1,027	1,021	1,016	1,010	1,004	978	972	967	12,160
	332606	CORP-Oper Training							3						3
Corp Admin Total			**25,799**	**22,800**	**30,183**	**26,326**	**10,826**	**62,303**	**22,179**	**30,547**	**71,913**	**30,845**	**32,509**	**(11,642)**	**354,586**
Corporate Security	332077	CORP-Security Ops	60,249	55,927	79,227	65,451	8,128	17,457	15,895	23,119	16,957	14,698	27,210	5,601	389,919
Corporate Security Total			**60,249**	**55,927**	**79,227**	**65,451**	**8,128**	**17,457**	**15,895**	**23,119**	**16,957**	**14,698**	**27,210**	**5,601**	**389,919**
Customer Service Organization (CSO)	332045	Customer Experience	13,818	12,586	15,034	10,856	13,735	14,677	13,267	14,739	15,112	12,291	28,151	13,032	177,299
	334005	CCA-Administration	534	105	584	863	295	366	361	623	178	304	691	(42)	4,863
	334070	CCA-Call Handling	64	169	141	17	60	21	6	(50)	18	307	103	76	930
	334071	CCA-Billing	18		5		4	21	(20)	(11)	0	9	6	2	35
	334072	CCA-Collections		32			29					31			92
	334073	CCA-Oper & Perform	717	505	517	(1,958)	(16)	78	56	34	(18)	215	7	(209)	(73)
	334077	CCA-Rate Implement							3	1	(0)	0			4
	334078	Customer Care	59,507	53,779	64,197	54,679	70,425	66,233	58,393	60,860	68,188	61,361	57,333	52,645	727,600
	334079	Billing & Collection	18,414	32,781	21,536	24,405	26,288	24,217	35,215	29,588	29,006	21,036	20,096	20,618	303,200
	337005	CCP-Administration	(3)	4	3	0	11	22	(13)				5		29
	337070	CCP-Call Handling	356	(276)	(24)	(404)	(14)	10	(105)	16	5	(1)	(1)	8	(430)
	337073	CCP-Oper & Spprt	949	(1,218)	207	(440)	(230)	103	95	60	580	(7)	68	(10)	156
	337076	CCP-Quality & Rprtg	14,967	10,022	11,960	8,765	14,502	13,336	13,184	14,827	10,463	13,270	10,700	10,999	146,995
	337077	CSC Supp-PostageCost	33,032	35,217	39,672	29,567	34,842	32,871	34,755	34,132	31,359	33,773	31,855	32,681	403,755
	337078	CSC Supp-FormsCost	10,748	10,406	10,229	11,187	12,305	11,846	12,803	16,718	15,566	10,168	13,641	7,552	143,168
	337079	CSC Supp-Other Cost	33,297	33,642	37,446	32,345	32,802	28,877	31,493	31,369	27,524	34,183	33,445	27,963	384,385
Customer Service Organization (CSO) Total			**186,418**	**187,756**	**201,506**	**169,883**	**205,037**	**192,679**	**199,494**	**202,906**	**197,979**	**186,938**	**196,099**	**165,313**	**2,292,009**
Environmental Leadership	332066	CORP-Innov&Env Stwd	(1,160)	1,542	3,984	3,371	3,582	3,054	2,004	3,075	2,224	4,645	3,670	6,803	36,794
	332166	Environmental Comp	4,131	4,377	9,298	6,742	8,416	5,678	4,032	4,780	7,331	4,339	4,172	5,661	68,957
	336011	WD-Environmentl Mgmt	1,386	2,111	1,844	1,720	1,735	1,526	1,654	2,004	1,507	1,755	1,942	1,065	20,248
Environmental Leadership Total			**4,357**	**8,029**	**15,127**	**11,833**	**13,732**	**10,258**	**7,690**	**9,859**	**11,062**	**10,740**	**9,783**	**13,528**	**125,999**
External Affairs & Public Policy	332022	CORP-Govt Affairs	5									9			14
	332085	CORP-External Comm	7,823	7,586	13,310	7,178	8,083	11,374	8,210	8,135	14,014	12,289	9,142	9,900	117,044
	332086	CORP-Internal Comm	2,383	1,858	3,482	2,139	2,324	2,827	2,200	2,622	2,927	3,261	2,270	2,370	30,662
External Affairs & Public Policy Total			**10,211**	**9,444**	**16,792**	**9,317**	**10,406**	**14,202**	**10,409**	**10,757**	**16,941**	**15,560**	**11,412**	**12,270**	**147,720**
Facilities	337600	One Water Street	14,868	14,591	15,232	14,887	15,302	12,342	13,110	13,729	14,734	15,357	13,620	19,157	176,930
	337640	One Water St - Div	1,271	1,271	1,323	1,277	1,264	1,262	1,283	1,273	1,270	1,489	1,317	1,363	15,663
	337650	One Water St-Non Div	2,411	2,408	2,399	2,390	2,381	2,372	2,363	2,354	2,345	2,813	2,366	2,364	28,962
Facilities Total			**18,550**	**18,269**	**18,954**	**18,554**	**18,947**	**15,976**	**16,755**	**17,356**	**18,349**	**19,659**	**17,303**	**22,883**	**221,555**

Tennessee American Water Company
Docket No. 24-XXXXX
Minimum Filing Guidelines - Question 013

American Water Works Service Company Expenses (O&M portion)
For the 12 Months Ended 12/31/2023

Function	Cost Center	Cost Center Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Grand Total
Finance	332007	CORP-Finance	4,448	4,354	6,681	2,817	2,698	7,505	1,957	3,150	6,763	2,938	2,898	6,970	53,180
	332017	CORP-ServCo FP&A	8,590	8,495	10,902	8,309	10,284	9,113	9,231	9,451	8,243	9,167	7,668	5,951	105,404
	332021	Treasury Admin	3,311	2,006	(3,631)	1,709	2,097	2,549	2,752	3,954	2,594	2,233	2,233	4,790	26,598
	332047	CORP-Income Tax	11,474	11,979	13,291	8,796	10,283	11,535	6,688	9,519	11,799	15,117	12,017	17,049	139,547
	332057	CORP-Treasury	429	4,311	2,851	2,219	598	3,126	3,998	1,724	2,455	2,334	1,919	1,996	27,959
	332060	CORP-Audit	9,848	4,461	6,098	8,864	4,524	6,575	4,292	17,306	11,913	4,106	5,307	6,394	89,687
	332061	CORP-ERM	1,545	1,834	2,596	2,885	2,468	2,796	1,347	1,396	2,022	2,835	1,808	1,707	25,237
	332517	CORP-Plan & Rptg	2,080	1,571	2,358	1,827	1,946	1,705	1,640	2,309	2,271	2,551	2,497	3,074	25,829
	332519	CORP-HTRClaims Mgmnt	1,138	1,101	1,306	1,056	1,327	1,166	1,096	1,238	1,126	611	807	14	11,985
	332570	CORP-RTR Acctg & Rep	7,422	6,978	9,031	6,848	8,031	7,772	7,562	8,936	7,143	7,604	6,563	6,426	90,318
	332573	Ext Rprtng & Tech Ac	3,122	3,411	3,968	3,144	3,708	3,720	3,137	3,765	4,211	3,442	4,000	3,113	42,741
	332574	Regulatory Reporting	15,632	17,047	24,197	14,351	18,220	21,247	16,771	16,808	21,409	17,046	18,423	20,595	221,747
	332575	CORP-PTP Cash Oper	1,947	2,050	2,334	1,929	2,228	2,345	2,061	2,285	5,027	2,383	1,389	1,109	27,088
	332577	CORP-Util Plant Acct	766	743	813	947	815	862	811	829	824	881	905	203	9,398
	332581	CORP-RTRPayroll Acct	5,122	4,424	7,192	4,526	5,783	5,607	4,734	4,942	5,168	5,681	5,210	5,530	63,919
	332584	CORP-PTPAcct Payable	132	809	(1,344)	(1,588)	579	1,219	1,308	(1,893)	(4)	150	(40)	(2,123)	(2,794)
	332617	Reg, CorpTax, FinTec	1,551	1,593	4,122	1,660	1,803	4,096	1,805	1,893	5,577	1,801	1,751	1,340	28,993
	333181	Accounts Payable-AWE					18								18
	335207	CD - FP & A	110	108	107	105	105	108	140	263	810	116	113	138	2,225
	335307	MAD - F P & A	2,960	2,816	4,065	3,284	631	611	582	615	518	464	644	537	17,726
	335407	NED - F P & A	(8)	13	35	(13)	5	6	(3)	1	1	1	1	1	42
	335605	Corp FP&A - Admin	626	(918)	277	94	65	228	226	65	66	67	66	67	928
	335607	T&I Finance	729	(473)	56	65	67	67	63	65	65	65	65	(717)	117
	336207	SE - FP & A	5,186	3,794	2,162	11,388	4,274	5,726	5,202	5,657	20,717	(1,766)	10,457	15,022	87,819
	337777	CORP-CFO	3,643	3,482	10,797	3,379	3,650	12,714	3,419	3,527	22,609	3,477	3,521	18,051	92,270
Finance Total			**91,805**	**85,987**	**110,261**	**88,603**	**86,208**	**112,400**	**80,821**	**97,804**	**143,327**	**83,303**	**90,222**	**117,239**	**1,187,981**
Human Resources	332002	CORP-HR Comp/Benefit	192	991	3,207	1,635	2,065	2,923	641	2,547	17	3,757	3,435	690	22,099
	332003	CORP-HR Talent Dev	3,581	3,921	5,115	3,555	3,543	3,935	4,640	3,933	3,469	3,435	3,330	4,329	46,785
	332004	CORP-HR Labor Relatn	2,466	2,515	3,142	2,418	3,099	2,792	2,432	2,847	2,507	2,872	3,030	2,268	32,389
	332006	CORP-Business Ctr HR	2,957	3,014	3,208	2,819	2,955	3,188	2,858	3,098	2,657	2,972	2,591	2,121	34,440
	332013	Core HR Admin&OrgMgt	2,418	2,235	3,480	2,903	2,970	3,352	2,890	2,954	3,091	2,839	2,829	4,281	36,243
	332014	CORP-Benefit Svc Ctr	7,834	4,857	6,808	5,129	6,450	5,523	6,652	6,242	7,695	5,627	5,253	10,001	78,070
	332018	CORP-Human Resources	15,073	10,162	17,428	11,625	14,131	17,363	21,912	11,682	11,784	10,375	10,538	9,087	161,160
	332048	CORP-HR Hlth&Well	815	496	1,370	1,304	1,162	873	917	833	1,529	1,020	1,769	2,309	14,396
	332058	CORP-HR Admin	4,492	4,166	9,539	4,351	4,820	9,364	5,700	4,554	13,162	8,097	4,626	13,304	86,173
	332082	CORP-Oper. Education	251	237	228	261	265	236	223	232	232	250	223	239	2,878
	332518	CORP- HTR HR Svc CC	80									49			129
	332520	CORP-HTR HR Svc Adm	235	1,057	1,154	18	2,876	1,247	1,292	1,896	1,238	1,277	3,430	1,983	17,702
	334018	CCA-Human Resources	11	12	19	34	64			2		11	16		168
	335218	CD - Human Resources	11		15	(2)	(11)	1	0	0	0	0	0	1	17
	336218	SE - Human Resources	280	29	924	193	391	388	15	390	(390)	39	3	266	2,529
	336518	Talent Acquisition	4,595	4,159	4,554	5,222	5,890	7,606	2,519	4,057	5,276	3,984	3,786	5,730	57,378
Human Resources Total			**45,290**	**37,849**	**60,191**	**41,466**	**50,672**	**58,790**	**52,689**	**45,267**	**52,268**	**46,604**	**44,860**	**56,609**	**592,556**
Investor Relations	332037	CORP-Investr Relatn	4,201	4,598	3,720	2,741	16,732	3,600	4,060	2,626	3,763	2,568	3,111	3,121	54,841
Investor Relations Total			**4,201**	**4,598**	**3,720**	**2,741**	**16,732**	**3,600**	**4,060**	**2,626**	**3,763**	**2,568**	**3,111**	**3,121**	**54,841**
Legal	332015	CORP-Legal	8,056	11,838	17,778	8,474	9,761	18,514	7,427	8,579	23,622	6,181	5,898	9,349	135,476
	332115	Legal-Ethics & Compl	3,913	2,507	4,869	3,479	4,186	7,450	3,203	3,668	4,786	2,771	2,834	5,418	49,085
	332215	Legal - Rates & Reg	346	355	1,469	847	5,346	6,097	3,853	4,404	7,706	4,729	4,694	13,589	53,436
	332315	Legal-Contracts&Comm	1,795	2,425	2,492	1,906	1,589	7,417	468	993	847	(4,256)	1,335	380	17,391
	332415	Corp Secretary-Legal	1,807	3,827	3,054	1,028	2,334	5,511	5,453	1,955	1,939	3,193	2,048	2,453	34,602
	332515	M&A												617	617
	335215	CD - Legal	350	285	370	324	354	323	340	373	231	326	370	214	3,859
	335315	MAD - Legal	273	111	199	169	97	85	175	101	85	80	84	145	1,603
	335415	NED - Legal	30	52	70	69	70	45	51	37	44	38	38	112	656
	335815	MBB - Legal	40	38	39	38	38	38	37	38	38	38	38	38	459
	336215	SE - Legal	7,178	8,617	13,878	13,954	15,453	14,771	13,026	15,069	14,027	8,401	10,693	8,107	143,175
Legal Total			**23,788**	**30,054**	**44,218**	**30,288**	**39,227**	**60,251**	**34,032**	**35,217**	**53,327**	**21,503**	**28,033**	**40,423**	**440,360**

Tennessee American Water Company
Docket No. 24-XXXXX
Minimum Filing Guidelines - Question 013

American Water Works Service Company Expenses (O&M portion)
For the 12 Months Ended 12/31/2023

Function	Cost Center	Cost Center Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Grand Total
Operations Excellence	332016	CORP-Arc Flash	2,493	1,655	1,717	7,910	(1,212)	2,860	2,797	1,126	5,061	1,941	1,836	2,849	31,033
	332044	Operation Excellence	3,246	3,448	4,495	5,608	3,315	5,977	3,247	4,162	9,247	7,411	4,714	21,090	75,960
	332065	CORP-Asset Mgmnt	1,149	1,293	1,466	1,278	1,239	2,382	1,082	1,266	2,985	1,230	1,238	352	16,959
	332067	CORP-Oper Srvcs	14	65	158	152	46	97	(0)	78	59	149	54	246	1,119
	335203	CORP-CR-Area2-MainBV	19,669	14,617	16,248	15,518	17,794	17,327	16,258	17,252	16,896	17,207	16,466	14,851	200,104
	335303	CORP-CR-Area1-MainWB	1,993	4,875	2,897	2,554	2,651	3,123	3,382	2,888	4,009	1,898	1,267	1,269	32,807
	336550	CORP-COE-Engineering	310	376	571	364	371	912	384	363	1,209	374	373	(518)	5,088
	336551	CORP-COE-Tech Srvcs	1,288	1,233	1,146	1,324	1,207	1,996	1,712	1,265	2,235	1,497	1,619	1,203	17,725
Operations Excellence Total			**30,161**	**27,561**	**28,699**	**34,709**	**25,410**	**34,675**	**28,862**	**28,401**	**41,701**	**31,708**	**27,567**	**41,342**	**380,795**
Regulated Ops	332026	CORP-Regulated Ops	5,587	9,027	15,549	6,774	10,544	18,574	15,380	7,103	24,372	8,153	9,171	23,248	153,483
	335205	CD - Admin & Gen	947	730	(386)	895	583	596	651	658	712	637	619	16	6,659
	335212	CD - Rates	50	38	52	68	70	25	68	58	1,868	72	51	649	3,068
	335214	CD - Engineering	(24)	68	30	9	12	65	26	33	42	(9)	16	33	303
	335220	CD - Business Dev	26	23	25	25	24	25	27	28	30	27	26	(473)	(188)
	335225	CD - Externl Affairs	83	75	81	79	78	80	119	90	92	86	83	(945)	2
	335305	MAD - Admin & Generl	205	181	303	233	102	130	139	118	96	84	64	78	1,733
	335312	MAD - Rates	29	31	57	41	19	24	42	23	19	17	14	17	333
	335325	MAD - Externl Affrs	6	12	17	11	6	8	22	7	2	4	3	4	102
	335405	NED - Admin & Gen	2	14	19	7	5	12	7	5	30	13	22	18	154
	335412	NED - Rates	(27)	65	50	2	22	27	(12)	3	4	4	4	4	147
	335414	NED - Engineering	142	270	1,163	(13)	564	37	81	26	21	19	18	140	2,469
	336205	SE - Admin & Gen	23,066	49,367	20,056	21,848	26,451	26,854	24,812	24,109	5,749	30,285	22,532	5,181	280,310
	336214	SE - Engineering	180	251	293	321	277	262	303	274	333	277	322	348	3,441
Regulated Ops Total			**30,274**	**60,152**	**37,312**	**30,299**	**38,759**	**46,719**	**41,665**	**32,535**	**33,369**	**39,669**	**32,945**	**28,318**	**452,016**
Safety	332019	CORP-Operationl Risk	1,630	3,712	2,426	2,209	2,768	2,546	2,256	2,817	2,960	2,926	3,870	2,797	32,916
Safety Total			**1,630**	**3,712**	**2,426**	**2,209**	**2,768**	**2,546**	**2,256**	**2,817**	**2,960**	**2,926**	**3,870**	**2,797**	**32,916**
Supply Chain	332010	CORP-Spply Chain-Src	1,528	1,370	1,838	1,420	1,649	2,389	1,179	1,573	3,225	2,448	1,479	4,746	24,844
	332110	Supply Chain Support	1,908	1,548	1,673	2,133	1,409	1,760	1,831	1,715	1,635	1,549	1,690	833	19,686
	332210	State Procurement	1,864	1,773	1,863	1,786	1,515	1,752	1,672	1,718	1,710	1,527	1,624	915	19,719
	332310	National Categories	2,871	2,919	3,609	2,719	3,441	3,233	2,718	3,052	3,468	3,216	2,924	1,441	35,610
	332410	Supplier Diversity	4,251	655	1,206	605	571	587	622	671	774	692	611	627	11,872
	332610	CORP-Fleet							710	1,131	1,289	929	792	3,874	8,725
Supply Chain Total			**12,422**	**8,265**	**10,189**	**8,663**	**8,583**	**9,721**	**8,732**	**9,860**	**12,102**	**10,361**	**9,120**	**12,436**	**120,455**
Technology and Innovation (T&I)	332030	CORP-ITS Client Serv	5	(5)	11	(10)		23	(23)	38	(19)		(19)		1
	332071	CORP-ITS Admin	7,983	9,043	13,056	3,841	1,294	7,278	(1,278)	4,738	12,735	8,633	8,052	20,539	95,916
	332073	CORP-ITS Operations	(5)	(103)		7,403	52,925	39,936	53,994	38,044	45,537	44,285	52,352	70,127	404,495
	332078	CORP-ITS COE										1			1
	332079	CORP-ITS-BAD-Middle	8,477	8,889	8,515	10,234	7,064	10,222	6,909	8,920	9,519	9,136	7,514	8,588	103,986
	332080	CORP-ITS-BAD-Back	8,656	3,433	7,430	6,754	19,988	15,671	14,092	15,757	16,575	21,518	14,464	17,443	161,781
	332081	CORP-ITS-BAD-Q&M	3,902	3,455	4,371	3,527	4,333	5,856	4,436	4,370	2,961	4,368	10,972	7,904	60,453
	332083	CORP-ITS-BAD-FSA	26,915	26,562	19,352	23,979	26,118	27,917	20,602	24,485	25,783	25,393	30,926	30,530	308,563
	332175	CORP-SrvrWin/iSeries	127	158	198	68									551
	332190	CORP-ITS CS Projects	63												63
	332605	CORP-Proc Excellence	(2)											114	112
Technology and Innovation (T&I) Total			**56,119**	**51,432**	**52,933**	**55,795**	**111,723**	**106,903**	**98,734**	**96,353**	**113,092**	**113,333**	**124,261**	**155,245**	**1,135,922**
Grand Total			**$615,414**	**$621,336**	**$724,561**	**$601,039**	**$654,355**	**$764,299**	**$635,790**	**$654,244**	**$803,844**	**$639,633**	**$667,239**	**$693,556**	**$8,075,310**

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 014

Provide a list of outside professional services, as recorded in NARUC Account No. B63, provided to TAWC for the past two (2) years, showing the nature of each service and the total charge for each service.

Response:

Please refer to the following attachments:

2024 TAWC MFG Q014_Attachment 1
2024 TAWC MFG Q014_Attachment 2
2024 TAWC MFG Q014_Attachment 3

Tennessee-American Water Company
Docket No. 24-00000-GRC
MFG Q014
2022

Account	Account Description	Vendor	Posting Description	Document Type	Document Type Description	Posting Date	Amount
53110016	Contract Svc-Eng - Admin & General	TENNESSEE VALLEY ICE US	MISC RETAIL STORES	KR	Vendor Invoice	4/29/2022	$202
53110016	Contract Svc-Eng - Admin & General	Various	reclass charges to expense	SX	Adj. Document - Ext	11/30/2022	5,000
53110016	Contract Svc-Eng - Admin & General	Various	To move charges to proper WBS	SX	Adj. Document - Ext	12/31/2022	59,903
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	KR	Vendor Invoice	4/21/2022	30,043
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	KR	Vendor Invoice	6/30/2022	2,080
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	KR	Vendor Invoice	7/27/2022	6,709
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	KR	Vendor Invoice	12/12/2022	42,224
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	1/4/2022	19
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	3/18/2022	11
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	4/14/2022	19
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	6/29/2022	11
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	7/8/2022	8
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	7/26/2022	24
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	9/15/2022	8
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	10/31/2022	8
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	12/12/2022	8
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	SG	JE Reversals	1/1/2022	(859)
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	SG	JE Reversals	9/1/2022	(2,992)
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	SV	Reversing JEs	8/31/2022	2,992
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	SX	Adj. Document - Ext	6/30/2022	(28,003)
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	SX	Adj. Document - Ext	12/19/2022	(42,224)
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	1/4/2022	840
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	3/18/2022	480
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	4/14/2022	840
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	5/6/2022	407
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	5/31/2022	368
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	6/2/2022	148
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	6/20/2022	148
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	6/29/2022	480
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	7/8/2022	360
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	7/26/2022	1,080
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	9/12/2022	296
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	9/15/2022	360
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	10/31/2022	360
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	12/12/2022	360
53150011	Contract Svc-Other - Source of Supply	Sabrix	SABRIX REVERSEUSETAX 1026	SN	Use Tax Reversals	5/12/2022	(2,040)
53150013	Contract Svc-Other - Water Treatment	LABTRONX INC	Lab Equipment Calibration	RE	Invoice - Gross	5/17/2022	266
53150013	Contract Svc-Other - Water Treatment	LABTRONX INC	Lab Equipment Calibration	WE	Goods Receipt	3/14/2022	2,880
53150013	Contract Svc-Other - Water Treatment	LABTRONX INC	Maintenance Lab Equipment	RE	Invoice - Gross	8/26/2022	151
53150013	Contract Svc-Other - Water Treatment	LABTRONX INC	Maintenance Lab Equipment	RE	Invoice - Gross	11/28/2022	245
53150013	Contract Svc-Other - Water Treatment	LABTRONX INC	Maintenance Lab Equipment	WE	Goods Receipt	8/23/2022	1,637
53150013	Contract Svc-Other - Water Treatment	LABTRONX INC	Maintenance Lab Equipment	WE	Goods Receipt	11/23/2022	2,654
53150013	Contract Svc-Other - Water Treatment	LABTRONX INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	1/5/2022	1,115
53150013	Contract Svc-Other - Water Treatment	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	1/24/2022	183
53150013	Contract Svc-Other - Water Treatment	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	2/7/2022	103
53150013	Contract Svc-Other - Water Treatment	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	2/17/2022	287
53150014	Contract Svc-Other - Transmission & Distribution	A-1 Barricades & A&H Safety Su US	BUSINESS SERVICES	KR	Vendor Invoice	5/3/2022	318
53150014	Contract Svc-Other - Transmission & Distribution	Allied Underground	Allied Underground	SV	Reversing JEs	12/31/2022	1,000
53150014	Contract Svc-Other - Transmission & Distribution	B & B Plumbing & Heating Inc US	Plumbing HVAC	KR	Vendor Invoice	2/14/2022	1,403
53150014	Contract Svc-Other - Transmission & Distribution	B & B Plumbing & Heating Inc US	Plumbing HVAC	KR	Vendor Invoice	10/3/2022	448
53150014	Contract Svc-Other - Transmission & Distribution	B & B Plumbing & Heating Inc US	Plumbing HVAC	KR	Vendor Invoice	11/4/2022	361
53150014	Contract Svc-Other - Transmission & Distribution	B & B Plumbing & Heating Inc US	Plumbing HVAC	KR	Vendor Invoice	11/17/2022	135
53150014	Contract Svc-Other - Transmission & Distribution	BP Construction Company Inc	Distribution Breakroom Polished Concrete	WE	Goods Receipt	12/30/2022	42,337
53150014	Contract Svc-Other - Transmission & Distribution	ByrdLine	ByrdLine	SV	Reversing JEs	12/31/2022	719
53150014	Contract Svc-Other - Transmission & Distribution	C C OXYGEN	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	10/31/2022	40
53150014	Contract Svc-Other - Transmission & Distribution	CALDWELL MACHINE & GRINDING US	REPAIR SERVICES, NEC	KR	Vendor Invoice	9/27/2022	610

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53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONT	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	4/29/2022	481
53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONTRACTOR	Callahan 2022 Blanket	WE	Goods Receipt	1/13/2022	258
53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONTRACTOR	Callahan 2022 Blanket	WE	Goods Receipt	3/17/2022	258
53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONTRACTOR	Callahan 2022 Blanket	WE	Goods Receipt	5/11/2022	258
53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONTRACTOR	Callahan 2022 Blanket	WE	Goods Receipt	7/29/2022	258
53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONTRACTOR	Callahan 2022 Blanket	WE	Goods Receipt	9/11/2022	258
53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONTRACTOR	Callahan 2022 Blanket	WE	Goods Receipt	11/7/2022	258
53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONTRACTOR	Callahan Distribution Office	WE	Goods Receipt	7/15/2022	604
53150014	Contract Svc-Other - Transmission & Distribution	CHATTANOOGA FIRE PROTECTION US	GEN INDUST MACHINERY	KR	Vendor Invoice	12/5/2022	566
53150014	Contract Svc-Other - Transmission & Distribution	MARSH USA INC US	INSURANCE AGENT/SERV	KR	Vendor Invoice	5/27/2022	565
53150014	Contract Svc-Other - Transmission & Distribution	Midsouth Paving Inc US	BRICK & STONE MAT	KG	Vendor Credit Memo	2/14/2022	(178)
53150014	Contract Svc-Other - Transmission & Distribution	NABCO ELECTRIC COMPANY INC US	ELECTRICAL WORK	KR	Vendor Invoice	8/4/2022	344
53150014	Contract Svc-Other - Transmission & Distribution	QUALITY SERVICE SPECIALTIES IN US	Plumbing HVAC	KR	Vendor Invoice	4/27/2022	1,388
53150014	Contract Svc-Other - Transmission & Distribution	Stanley Convergent Security Sl US	ELEC PARTS & EQUIP	KR	Vendor Invoice	11/9/2022	659
53150014	Contract Svc-Other - Transmission & Distribution	Stanley Convergent Security Sl US	ELEC PARTS & EQUIP	KR	Vendor Invoice	11/10/2022	435
53150014	Contract Svc-Other - Transmission & Distribution	Stanley Convergent Security Sl US	ELEC PARTS & EQUIP	KR	Vendor Invoice	11/17/2022	671
53150014	Contract Svc-Other - Transmission & Distribution	STOWERS MACHINERY CORP US	IND MACH & EQUIP	KR	Vendor Invoice	6/8/2022	153
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	Amortization of Tennessee One Call System	SA	G/L Account Document	1/20/2022	3,359
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	Amortization of Tennessee One Call System	SR	GA Recurring JE	2/28/2022	3,359
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	Amortization of Tennessee One Call System	SR	GA Recurring JE	3/31/2022	3,359
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	Amortization of Tennessee One Call System	SR	GA Recurring JE	4/30/2022	3,359
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	Amortization of Tennessee One Call System	SR	GA Recurring JE	5/31/2022	3,359
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	ELEC APPARATUS EQUIP	KR	Vendor Invoice	2/4/2022	1,034
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	ELEC APPARATUS EQUIP	KR	Vendor Invoice	6/22/2022	273
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	ELEC APPARATUS EQUIP	KR	Vendor Invoice	8/8/2022	16
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	ELEC APPARATUS EQUIP	KR	Vendor Invoice	12/6/2022	273
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	6/30/2022	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	7/31/2022	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	8/31/2022	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	9/30/2022	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	10/31/2022	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	11/30/2022	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	12/31/2022	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call True Up	SX	Adj. Document - Ext	5/25/2022	1,132
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE WASTE HAULERS	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	10/31/2022	812
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	1/26/2022	73
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	2/21/2022	73
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	3/25/2022	73
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	4/26/2022	73
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	5/24/2022	73
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	6/28/2022	73
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	8/22/2022	13
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	9/27/2022	73
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	11/17/2022	73
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	11/23/2022	73
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	12/29/2022	77
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	January USIC	WE	Goods Receipt	2/14/2022	22,115
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SG	JE Reversals	12/1/2022	(23,889)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SV	Reversing JEs	11/30/2022	23,889
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services accrual for 2 months	SG	JE Reversals	4/1/2022	(51,694)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services accrual for 2 months	SV	Reversing JEs	3/31/2022	51,694
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services accrual for March booked twice	SG	JE Reversals	5/1/2022	28,421
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services accrual for March booked twice	SV	Reversing JEs	4/30/2022	(28,421)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	PTP5 Accrual Reversal	SG	JE Reversals	4/1/2022	23,273
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	PTP5 Accrual Reversal	SV	Reversing JEs	3/31/2022	(23,273)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC August	WE	Goods Receipt	11/17/2022	31,793

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53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC February	WE	Goods Receipt	3/9/2022	23,273
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC Locating Services	SV	Reversing JEs	12/31/2022	22,658
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC November	WE	Goods Receipt	12/29/2022	23,889
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC October	WE	Goods Receipt	11/7/2022	24,321
53150015	Contract Svc-Other - Customer Accounting	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	4/22/2022	42
53150015	Contract Svc-Other - Customer Accounting	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	5/18/2022	4
53150016	Contract Svc-Other - Admin & General	ABPA	ABPA	SD	PCard Unmapped Accru	10/31/2022	85
53150016	Contract Svc-Other - Admin & General	ABPA	ABPA	SG	JE Reversals	11/1/2022	(85)
53150016	Contract Svc-Other - Admin & General	ADAMS & REESE LLP	Adams & Reese 2022 Services	WE	Goods Receipt	2/23/2022	15,000
53150016	Contract Svc-Other - Admin & General	ADAMS & REESE LLP	Adams & Reese 2022 Services	WE	Goods Receipt	5/6/2022	15,000
53150016	Contract Svc-Other - Admin & General	ADAMS & REESE LLP	Adams & Reese 2022 Services	WE	Goods Receipt	7/21/2022	15,000
53150016	Contract Svc-Other - Admin & General	ADAMS & REESE LLP	Adams & Reese 2022 Services	WE	Goods Receipt	10/24/2022	15,000
53150016	Contract Svc-Other - Admin & General	ADAMS & REESE LLP	Lobbying Expense Rcls	SX	Adj. Document - Ext	12/31/2022	(60,000)
53150016	Contract Svc-Other - Admin & General	Allied Underground	Clean up at Shallowford property	SG	JE Reversals	9/1/2022	(15,000)
53150016	Contract Svc-Other - Admin & General	Allied Underground	Clean up at Shallowford property	SV	Reversing JEs	8/31/2022	15,000
53150016	Contract Svc-Other - Admin & General	ALLIED UNDERGROUND SERVICES LLC US	WAT, SEW&UTIL LINES	KR	Vendor Invoice	9/27/2022	10,828
53150016	Contract Svc-Other - Admin & General	B & B Plumbing & Heating Inc US	Plumbing HVAC	KR	Vendor Invoice	11/30/2022	1,934
53150016	Contract Svc-Other - Admin & General	BP Construction Company Inc	BP Construction - Admin Bldg	WE	Goods Receipt	12/29/2022	3,522
53150016	Contract Svc-Other - Admin & General	BP Construction Company Inc	BP Construction - Walkway Canopy (Admin/	WE	Goods Receipt	12/20/2022	6,364
53150016	Contract Svc-Other - Admin & General	BP Construction Company Inc	Engineering Carpet Installation	WE	Goods Receipt	12/19/2022	8,276
53150016	Contract Svc-Other - Admin & General	BUSINESS & LEGAL REPORTS INC US		KR	Vendor Invoice	11/19/2022	3,541
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	2022 Meter Shop HVAC Maintenance	WE	Goods Receipt	2/3/2022	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	2022 Meter Shop HVAC Maintenance	WE	Goods Receipt	5/20/2022	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	2022 Meter Shop HVAC Maintenance	WE	Goods Receipt	6/27/2022	445
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	2022 Meter Shop HVAC Maintenance	WE	Goods Receipt	7/29/2022	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	2022 Meter Shop HVAC Maintenance	WE	Goods Receipt	8/9/2022	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	2022 Meter Shop HVAC Maintenance	WE	Goods Receipt	9/13/2022	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	2022 Meter Shop HVAC Maintenance	WE	Goods Receipt	11/15/2022	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SG	JE Reversals	4/1/2022	(226)
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SG	JE Reversals	5/1/2022	(226)
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SG	JE Reversals	6/1/2022	(226)
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SG	JE Reversals	7/1/2022	(445)
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SG	JE Reversals	8/1/2022	(445)
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SV	Reversing JEs	3/31/2022	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SV	Reversing JEs	4/29/2022	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SV	Reversing JEs	5/31/2022	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SV	Reversing JEs	6/30/2022	445
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SV	Reversing JEs	7/29/2022	445
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	Canon - Mthly Management Fee - July 2022	KR	Vendor Invoice	10/6/2022	91
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	Canon - Mthly Management Fee - March 2022	KR	Vendor Invoice	5/19/2022	91
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	1/3/2022	190
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	2/7/2022	357
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	3/7/2022	265
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	3/21/2022	366
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	4/5/2022	341
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	5/6/2022	156
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	5/23/2022	183
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	5/25/2022	183
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	5/27/2022	91
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	6/9/2022	331
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	6/20/2022	91
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	7/12/2022	35
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	7/18/2022	280
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	8/2/2022	217
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	8/22/2022	91
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	9/1/2022	235

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53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	10/4/2022	296
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	10/18/2022	91
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	10/27/2022	91
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	11/9/2022	252
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	12/2/2022	265
53150016	Contract Svc-Other - Admin & General	CHATTANOOGA FIRE PROTECTION US	GEN INDUST MACHINERY	KR	Vendor Invoice	12/12/2022	79
53150016	Contract Svc-Other - Admin & General	Complete Contracting Solutions	Gutter Repair at Meter Shop	WE	Goods Receipt	2/7/2022	1,545
53150016	Contract Svc-Other - Admin & General	Diligent Board Member Services US	COMM SERVICES	KR	Vendor Invoice	9/8/2022	8,499
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	1/8/2022	65
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	3/15/2022	84
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	4/28/2022	53
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	5/2/2022	678
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	7/19/2022	262
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	7/21/2022	250
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	8/3/2022	243
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	8/22/2022	256
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	10/3/2022	240
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	10/28/2022	256
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	12/9/2022	262
53150016	Contract Svc-Other - Admin & General	HACKER MED* (1 OF 2 PA	HACKER MED* (1 OF 2 PA	SD	PCard Unmapped Accru	10/31/2022	400
53150016	Contract Svc-Other - Admin & General	HACKER MED* (1 OF 2 PA	HACKER MED* (1 OF 2 PA	SG	JE Reversals	11/1/2022	(400)
53150016	Contract Svc-Other - Admin & General	HACKER MED* (1 OF 2 PA	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	11/4/2022	400
53150016	Contract Svc-Other - Admin & General	HACKER MED* (2 OF 2 PA	HACKER MED* (2 OF 2 PA	SD	PCard Unmapped Accru	11/30/2022	400
53150016	Contract Svc-Other - Admin & General	HACKER MED* (2 OF 2 PA	HACKER MED* (2 OF 2 PA	SG	JE Reversals	12/1/2022	(400)
53150016	Contract Svc-Other - Admin & General	HACKER MED* (2 OF 2 PA	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	12/9/2022	400
53150016	Contract Svc-Other - Admin & General	HireRight LLC US	DATA PROC & PREP	KR	Vendor Invoice	8/1/2022	126
53150016	Contract Svc-Other - Admin & General	HireRight LLC US	DATA PROC & PREP	KR	Vendor Invoice	9/27/2022	681
53150016	Contract Svc-Other - Admin & General	HireRight LLC US	DATA PROC & PREP	KR	Vendor Invoice	11/14/2022	395
53150016	Contract Svc-Other - Admin & General	HireRight LLC US	DATA PROC & PREP	KR	Vendor Invoice	11/15/2022	175
53150016	Contract Svc-Other - Admin & General	HireRight LLC US	DATA PROC & PREP	KR	Vendor Invoice	12/21/2022	163
53150016	Contract Svc-Other - Admin & General	IN *CULTURALLY	IN *CULTURALLY	SD	PCard Unmapped Accru	9/30/2022	460
53150016	Contract Svc-Other - Admin & General	IN *CULTURALLY	IN *CULTURALLY	SD	PCard Unmapped Accru	10/31/2022	50
53150016	Contract Svc-Other - Admin & General	IN *CULTURALLY	IN *CULTURALLY	SD	PCard Unmapped Accru	11/30/2022	139
53150016	Contract Svc-Other - Admin & General	IN *CULTURALLY	IN *CULTURALLY	SG	JE Reversals	10/1/2022	(460)
53150016	Contract Svc-Other - Admin & General	IN *CULTURALLY	IN *CULTURALLY	SG	JE Reversals	11/1/2022	(50)
53150016	Contract Svc-Other - Admin & General	IN *CULTURALLY	IN *CULTURALLY	SG	JE Reversals	12/1/2022	(139)
53150016	Contract Svc-Other - Admin & General	IN *CULTURALLY	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	10/4/2022	460
53150016	Contract Svc-Other - Admin & General	IN *CULTURALLY	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	11/4/2022	50
53150016	Contract Svc-Other - Admin & General	IN *CULTURALLY	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	12/9/2022	139
53150016	Contract Svc-Other - Admin & General	Kemira Water Solutions Inc US	CHEMICAL PRODUCTS	KA	Vendor Document	2/22/2022	(2)
53150016	Contract Svc-Other - Admin & General	Kemira Water Solutions Inc US	CHEMICAL PRODUCTS	KA	Vendor Document	3/17/2022	(2)
53150016	Contract Svc-Other - Admin & General	Kemira Water Solutions Inc US	CHEMICAL PRODUCTS	KR	Vendor Invoice	2/22/2022	2
53150016	Contract Svc-Other - Admin & General	Kemira Water Solutions Inc US	CHEMICAL PRODUCTS	KR	Vendor Invoice	3/15/2022	2
53150016	Contract Svc-Other - Admin & General	MR APPLIANCE CHATTANOO	MR APPLIANCE CHATTANOO	SD	PCard Unmapped Accru	9/30/2022	305
53150016	Contract Svc-Other - Admin & General	MR APPLIANCE CHATTANOO	MR APPLIANCE CHATTANOO	SG	JE Reversals	10/1/2022	(305)
53150016	Contract Svc-Other - Admin & General	MR APPLIANCE CHATTANOO	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	10/4/2022	305
53150016	Contract Svc-Other - Admin & General	MR ROOTER CHATTANOOGA	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	8/26/2022	1,300
53150016	Contract Svc-Other - Admin & General	MSDSONLINE INC US	DATA PROC & PREP	KR	Vendor Invoice	1/10/2022	2,821
53150016	Contract Svc-Other - Admin & General	MSDSONLINE INC US	DATA PROC & PREP	KR	Vendor Invoice	3/3/2022	164
53150016	Contract Svc-Other - Admin & General	PIERCE WELDING & MACHINE INC US	INDUSTRIAL MACHINERY	KR	Vendor Invoice	2/16/2022	9,176
53150016	Contract Svc-Other - Admin & General	PIERCE WELDING & MACHINE INC US	INDUSTRIAL MACHINERY	KR	Vendor Invoice	12/19/2022	5,078
53150016	Contract Svc-Other - Admin & General	Q Strategies LLC	Q Strategies 2022	WE	Goods Receipt	1/24/2022	3,000
53150016	Contract Svc-Other - Admin & General	Q Strategies LLC	Q Strategies 2022	WE	Goods Receipt	2/7/2022	3,000
53150016	Contract Svc-Other - Admin & General	Q Strategies LLC	Q Strategies 2022	WE	Goods Receipt	3/7/2022	3,000
53150016	Contract Svc-Other - Admin & General	Q Strategies LLC	Q Strategies 2022	WE	Goods Receipt	4/8/2022	3,000
53150016	Contract Svc-Other - Admin & General	Q Strategies LLC	Q Strategies 2022	WE	Goods Receipt	5/6/2022	3,000

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53150016	Contract Svc-Other - Admin & General	Q Strategies LLC	Q Strategies 2022	WE	Goods Receipt	6/9/2022	3,000
53150016	Contract Svc-Other - Admin & General	Q Strategies LLC	Q Strategies 2022	WE	Goods Receipt	7/12/2022	3,000
53150016	Contract Svc-Other - Admin & General	Q Strategies LLC	Q Strategies 2022	WE	Goods Receipt	8/2/2022	3,000
53150016	Contract Svc-Other - Admin & General	Q Strategies LLC	Q Strategies 2022	WE	Goods Receipt	9/6/2022	3,000
53150016	Contract Svc-Other - Admin & General	Q Strategies LLC	Q Strategies 2022	WE	Goods Receipt	10/4/2022	3,000
53150016	Contract Svc-Other - Admin & General	Q Strategies LLC	Q Strategies 2022	WE	Goods Receipt	11/9/2022	3,000
53150016	Contract Svc-Other - Admin & General	Q Strategies LLC	Q Strategies 2022	WE	Goods Receipt	12/6/2022	3,000
53150016	Contract Svc-Other - Admin & General	Quadient Finance USA Inc US	OFFICE MACHINES, NEC	KG	Vendor Credit Memo	10/24/2022	(0)
53150016	Contract Svc-Other - Admin & General	Quadient Finance USA Inc US	OFFICE MACHINES, NEC	KR	Vendor Invoice	6/9/2022	14
53150016	Contract Svc-Other - Admin & General	Quadient Finance USA Inc US	OFFICE MACHINES, NEC	KR	Vendor Invoice	9/1/2022	14
53150016	Contract Svc-Other - Admin & General	Quadient Finance USA Inc US	OFFICE MACHINES, NEC	KR	Vendor Invoice	9/9/2022	14
53150016	Contract Svc-Other - Admin & General	Quadient Leasing USA Inc DEPT 3682 US	OFFICE MACHINES, NEC	KR	Vendor Invoice	2/7/2022	1,256
53150016	Contract Svc-Other - Admin & General	Quadient Leasing USA Inc DEPT 3682 US	OFFICE MACHINES, NEC	KR	Vendor Invoice	4/19/2022	265
53150016	Contract Svc-Other - Admin & General	Quadient Leasing USA Inc DEPT 3682 US	OFFICE MACHINES, NEC	KR	Vendor Invoice	7/21/2022	265
53150016	Contract Svc-Other - Admin & General	Quadient Leasing USA Inc DEPT 3682 US	OFFICE MACHINES, NEC	KR	Vendor Invoice	10/24/2022	282
53150016	Contract Svc-Other - Admin & General	Qualtrics	Qualtrics Amort	SM	GA Global Recurr JE	12/31/2022	406
53150016	Contract Svc-Other - Admin & General	Sabrix	500009517110262022	SN	Use Tax Reversals	9/30/2022	(783)
53150016	Contract Svc-Other - Admin & General	Sabrix	Sabrix Rev Use Tax - AWWS	SN	Use Tax Reversals	5/31/2022	3
53150016	Contract Svc-Other - Admin & General	Sabrix	SABRIX REVERSEUSETAX 1033	SN	Use Tax Reversals	1/19/2022	(179)
53150016	Contract Svc-Other - Admin & General	Sabrix	SABRIX REVERSEUSETAX 1033	SN	Use Tax Reversals	2/16/2022	(6)
53150016	Contract Svc-Other - Admin & General	Sabrix	SABRIX REVERSEUSETAX 1033	SN	Use Tax Reversals	3/17/2022	(10)
53150016	Contract Svc-Other - Admin & General	Sabrix	SABRIX REVERSEUSETAX 1033	SN	Use Tax Reversals	3/21/2022	(5)
53150016	Contract Svc-Other - Admin & General	Sabrix	SABRIX REVERSEUSETAX 1033	SN	Use Tax Reversals	3/28/2022	(23)
53150016	Contract Svc-Other - Admin & General	Sabrix	SABRIX REVERSEUSETAX 1033	SN	Use Tax Reversals	4/30/2022	(7)
53150016	Contract Svc-Other - Admin & General	Sabrix	SABRIX REVERSEUSETAX 1033	SN	Use Tax Reversals	5/27/2022	(42)
53150016	Contract Svc-Other - Admin & General	Sabrix	SABRIX REVERSEUSETAX 1033	SN	Use Tax Reversals	7/27/2022	(16)
53150016	Contract Svc-Other - Admin & General	Sabrix	SABRIX REVERSEUSETAX 1033	SN	Use Tax Reversals	8/27/2022	(31)
53150016	Contract Svc-Other - Admin & General	Sabrix	SABRIX REVERSEUSETAX 1033	SN	Use Tax Reversals	10/29/2022	(6)
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	1/12/2022	6
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	2/24/2022	2
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	4/13/2022	2
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	5/5/2022	0
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	5/9/2022	2
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	6/8/2022	2
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	7/15/2022	2
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	8/22/2022	2
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	9/9/2022	19
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	10/6/2022	2
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	11/14/2022	2
53150016	Contract Svc-Other - Admin & General	SIMPLIFY COMPLIANCE LLC	A/P - Pcard Accrual	SD	PCard Unmapped Accru	11/30/2022	683
53150016	Contract Svc-Other - Admin & General	SIMPLIFY COMPLIANCE LLC	A/P - Pcard Accrual	SG	JE Reversals	12/1/2022	(683)
53150016	Contract Svc-Other - Admin & General	SIMPLIFY COMPLIANCE LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	12/9/2022	683
53150016	Contract Svc-Other - Admin & General	SIMPLIFY COMPLIANCE LLC	SIMPLIFY COMPLIANCE LLC	SD	PCard Unmapped Accru	8/31/2022	216
53150016	Contract Svc-Other - Admin & General	SIMPLIFY COMPLIANCE LLC	SIMPLIFY COMPLIANCE LLC	SD	PCard Unmapped Accru	12/31/2022	212
53150016	Contract Svc-Other - Admin & General	SIMPLIFY COMPLIANCE LLC	SIMPLIFY COMPLIANCE LLC	SG	JE Reversals	9/1/2022	(216)
53150016	Contract Svc-Other - Admin & General	SOUTHEAST CO	Repair Meter Box Lid at Market & Givens	WE	Goods Receipt	5/4/2022	2,860
53150016	Contract Svc-Other - Admin & General	SQ *SE MAP SOLUTIONS INC	SQ *SE MAP SOLUTIONS INC	SD	PCard Unmapped Accru	3/31/2022	765
53150016	Contract Svc-Other - Admin & General	SQ *SE MAP SOLUTIONS INC	SQ *SE MAP SOLUTIONS INC	SG	JE Reversals	4/1/2022	(765)
53150016	Contract Svc-Other - Admin & General	System Improvements Inc US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	6/9/2022	223
53150016	Contract Svc-Other - Admin & General	TENNESSEE ONE CALL SYSTEM INC US	ELEC APPARATUS EQUIP	KR	Vendor Invoice	12/8/2022	1,010
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	1/11/2022	75
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	1/13/2022	476
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	1/18/2022	348
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	1/24/2022	157
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	2/9/2022	75
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	2/23/2022	79

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53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	3/8/2022	75
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	3/14/2022	476
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	3/15/2022	348
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	3/25/2022	79
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	4/7/2022	43
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	4/25/2022	183
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	4/29/2022	103
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	5/6/2022	77
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	5/19/2022	168
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	5/31/2022	103
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	6/14/2022	33
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	6/16/2022	77
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	6/17/2022	189
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	6/28/2022	103
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	7/14/2022	74
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	7/15/2022	92
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	7/18/2022	97
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	7/27/2022	180
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	8/19/2022	75
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	8/23/2022	292
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	8/24/2022	79
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	9/21/2022	74
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	9/22/2022	189
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	10/3/2022	77
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	10/21/2022	103
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	10/26/2022	79
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	11/15/2022	78
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	11/28/2022	79
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	12/15/2022	160
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	12/29/2022	84
53150016	Contract Svc-Other - Admin & General	THE UPS STORE 3138	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	2/23/2022	3
53150016	Contract Svc-Other - Admin & General	THE UPS STORE 3138	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	12/19/2022	352
53150016	Contract Svc-Other - Admin & General	THE UPS STORE 3188	THE UPS STORE 3188	SD	PCard Unmapped Accru	4/30/2022	138
53150016	Contract Svc-Other - Admin & General	THE UPS STORE 3188	THE UPS STORE 3188	SG	JE Reversals	5/1/2022	(138)
53150016	Contract Svc-Other - Admin & General	TMX*TERMINIX INTL	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	3/24/2022	400
53150016	Contract Svc-Other - Admin & General	Various	Writeoff Acctg Payroll Standardization	SX	Adj. Document - Ext	6/30/2022	2,808
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	1/31/2022	75
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	2/24/2022	81
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	4/5/2022	79
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	5/5/2022	92
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	5/24/2022	75
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	6/23/2022	83
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	7/22/2022	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	9/12/2022	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	10/4/2022	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	11/4/2022	103
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	12/9/2022	103
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	12/29/2022	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SD	PCard Unmapped Accru	3/31/2022	79
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SD	PCard Unmapped Accru	4/30/2022	92
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SD	PCard Unmapped Accru	8/31/2022	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SD	PCard Unmapped Accru	9/30/2022	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SD	PCard Unmapped Accru	10/31/2022	103
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SD	PCard Unmapped Accru	11/30/2022	103
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SG	JE Reversals	4/1/2022	(79)
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SG	JE Reversals	5/1/2022	(92)

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53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SG	JE Reversals	9/1/2022	(95)
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SG	JE Reversals	10/1/2022	(95)
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SG	JE Reversals	11/1/2022	(103)
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SG	JE Reversals	12/1/2022	(103)
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	1026 POACCRUALPOSTING	SG	JE Reversals	2/1/2022	(5,500)
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	1026 POACCRUALPOSTING	SG	JE Reversals	3/1/2022	(5,500)
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	1026 POACCRUALPOSTING	SG	JE Reversals	4/1/2022	(5,500)
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	1026 POACCRUALPOSTING	SG	JE Reversals	7/1/2022	(5,500)
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	1026 POACCRUALPOSTING	SV	Reversing JEs	1/31/2022	5,500
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	1026 POACCRUALPOSTING	SV	Reversing JEs	2/28/2022	5,500
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	1026 POACCRUALPOSTING	SV	Reversing JEs	3/31/2022	5,500
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	1026 POACCRUALPOSTING	SV	Reversing JEs	6/30/2022	5,500
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	Waller 2022 Services	WE	Goods Receipt	2/7/2022	5,500
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	Waller 2022 Services	WE	Goods Receipt	3/25/2022	5,500
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	Waller 2022 Services	WE	Goods Receipt	4/19/2022	5,500
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	Waller 2022 Services	WE	Goods Receipt	5/13/2022	11,000
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	Waller 2022 Services	WE	Goods Receipt	7/12/2022	11,000
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	Waller 2022 Services	WE	Goods Receipt	8/11/2022	5,500
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	Waller 2022 Services	WE	Goods Receipt	9/14/2022	5,500
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	Waller 2022 Services	WE	Goods Receipt	10/24/2022	5,500
53152000	Contract Svc-Lab Testing - Water Treatment	PACE ANALYTICAL SERVICES	A/P - Pcard Accrual	SD	PCard Unmapped Accru	10/31/2022	50
53152000	Contract Svc-Lab Testing - Water Treatment	PACE ANALYTICAL SERVICES	JE Reversals	SG	JE Reversals	11/1/2022	(50)
53152000	Contract Svc-Lab Testing - Water Treatment	PACE ANALYTICAL SERVICES	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	1/26/2022	72
53152000	Contract Svc-Lab Testing - Water Treatment	PACE ANALYTICAL SERVICES	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	11/10/2022	50
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	A/P - Pcard Accrual	SD	PCard Unmapped Accru	2/28/2022	150
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	A/P - Pcard Accrual	SD	PCard Unmapped Accru	4/30/2022	145
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	A/P - Pcard Accrual	SD	PCard Unmapped Accru	7/31/2022	145
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	A/P - Pcard Accrual	SD	PCard Unmapped Accru	8/31/2022	145
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	A/P - Pcard Accrual	SD	PCard Unmapped Accru	10/31/2022	290
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	JE Reversals	SG	JE Reversals	3/1/2022	(150)
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	JE Reversals	SG	JE Reversals	5/1/2022	(145)
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	JE Reversals	SG	JE Reversals	8/1/2022	(145)
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	JE Reversals	SG	JE Reversals	9/1/2022	(145)
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	JE Reversals	SG	JE Reversals	11/1/2022	(290)
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	1/5/2022	150
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	1/31/2022	150
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	2/9/2022	150
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	3/2/2022	150
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	3/9/2022	150
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	3/30/2022	130
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	4/20/2022	130
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	5/4/2022	145
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	5/11/2022	145
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	5/31/2022	145
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	6/22/2022	145
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	6/24/2022	290
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	7/21/2022	145
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	8/3/2022	145
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	8/10/2022	145
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	9/26/2022	290
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	9/29/2022	145
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	11/10/2022	290
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	11/23/2022	1,320
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	11/30/2022	165
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	12/21/2022	145
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	12/28/2022	168

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53154000	Contract Services - Audit Fees	PWC	Indiana-American Water Co.	SV	Reversing JEs	11/30/2022	(7,705)
53154000	Contract Services - Audit Fees	PWC	JE Reversals	SG	JE Reversals	12/1/2022	7,705
53154000	Contract Services - Audit Fees	PWC	June PWC Invoice	KR	Vendor Invoice	6/27/2022	7,429
53154000	Contract Services - Audit Fees	PWC	November PWC Invoice	KR	Vendor Invoice	11/15/2022	7,705
53154000	Contract Services - Audit Fees	PWC	October PWC Invoice	KR	Vendor Invoice	11/2/2022	7,705
53154000	Contract Services - Audit Fees	PWC	October PWC Invoice	SX	Adj. Document - Ext	12/31/2022	(7,705)
53154000	Contract Services - Audit Fees	PWC	PWC	KR	Vendor Invoice	2/2/2022	7,176
53154000	Contract Services - Audit Fees	PWC	PWC	KR	Vendor Invoice	2/7/2022	16
53154000	Contract Services - Audit Fees	PWC	PWC	KR	Vendor Invoice	3/15/2022	10,764
53154000	Contract Services - Audit Fees	PWC	PWC Additional Fees	KR	Vendor Invoice	4/20/2022	516
53154000	Contract Services - Audit Fees	PWC	PWC Inform	KR	Vendor Invoice	9/7/2022	9
53154000	Contract Services - Audit Fees	PWC	PWC Invoice	KA	Vendor Document	6/2/2022	(8,805)
53154000	Contract Services - Audit Fees	PWC	PWC Invoice	KR	Vendor Invoice	6/1/2022	8,805
53154000	Contract Services - Audit Fees	PWC	PWC Invoice	KR	Vendor Invoice	6/2/2022	9,388
53154000	Contract Services - Audit Fees	PWC	PWC Invoice	KR	Vendor Invoice	8/8/2022	917
53154000	Contract Services - Audit Fees	PWC	PWC July Invoice	KR	Vendor Invoice	7/25/2022	7,429
53154000	Contract Services - Audit Fees	PWC	PWC October Invoice	KR	Vendor Invoice	11/10/2022	7,705
53154000	Contract Services - Audit Fees	PWC	S-3 Invoice	KR	Vendor Invoice	3/24/2022	126
53154000	Contract Services - Audit Fees	PWC	September PWC Invoice	KR	Vendor Invoice	9/15/2022	7,705
53154000	Contract Services - Audit Fees	Sabrix	SABRIX REVERSEUSETAX 1033	SN	Use Tax Reversals	6/29/2022	(583)
53155000	Contract Services - Legal	Baker Donelson	Accrued Legal	SV	Reversing JEs	1/31/2022	627
53155000	Contract Services - Legal	Baker Donelson	Accrued Legal	SV	Reversing JEs	2/28/2022	11,456
53155000	Contract Services - Legal	Baker Donelson	Accrued Legal	SV	Reversing JEs	3/31/2022	9,230
53155000	Contract Services - Legal	Baker Donelson	Accrued Legal	SV	Reversing JEs	4/30/2022	1,944
53155000	Contract Services - Legal	Baker Donelson	Accrued Legal	SV	Reversing JEs	5/31/2022	3,290
53155000	Contract Services - Legal	Baker Donelson	Accrued Legal	SV	Reversing JEs	6/30/2022	8,076
53155000	Contract Services - Legal	Baker Donelson	Accrued Legal	SV	Reversing JEs	7/31/2022	14,617
53155000	Contract Services - Legal	Baker Donelson	Accrued Legal	SV	Reversing JEs	9/30/2022	330
53155000	Contract Services - Legal	Baker Donelson	Baker Donelson	RV	Billing Doc.Transfer	9/21/2022	(29,584)
53155000	Contract Services - Legal	Baker Donelson	JE Reversals	SG	JE Reversals	2/1/2022	(627)
53155000	Contract Services - Legal	Baker Donelson	JE Reversals	SG	JE Reversals	3/1/2022	(11,456)
53155000	Contract Services - Legal	Baker Donelson	JE Reversals	SG	JE Reversals	4/1/2022	(9,230)
53155000	Contract Services - Legal	Baker Donelson	JE Reversals	SG	JE Reversals	5/1/2022	(1,944)
53155000	Contract Services - Legal	Baker Donelson	JE Reversals	SG	JE Reversals	6/1/2022	(3,290)
53155000	Contract Services - Legal	Baker Donelson	JE Reversals	SG	JE Reversals	7/1/2022	(8,076)
53155000	Contract Services - Legal	Baker Donelson	JE Reversals	SG	JE Reversals	8/1/2022	(14,617)
53155000	Contract Services - Legal	Baker Donelson	JE Reversals	SG	JE Reversals	10/1/2022	(330)
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	3/9/2022	1,368
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	4/13/2022	9,742
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	5/4/2022	1,250
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	5/25/2022	23,214
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	6/29/2022	29,584
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	8/3/2022	14,617
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	10/5/2022	330
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	12/7/2022	10,454
53155000	Contract Services - Legal	Baker, Donelson	Accrued Legal	SV	Reversing JEs	11/30/2022	16,468
53155000	Contract Services - Legal	Baker, Donelson	Accrued Legal	SV	Reversing JEs	12/31/2022	10,521
53155000	Contract Services - Legal	Baker, Donelson	JE Reversals	SG	JE Reversals	12/1/2022	(16,468)
53155000	Contract Services - Legal	BROWN AND CALDWELL US	ENGINEERING SERVICES	KR	Vendor Invoice	8/16/2022	13,534
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	1/31/2022	30,557
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	2/28/2022	31,624
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	3/31/2022	6,425
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	4/30/2022	12,710
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	5/31/2022	13,100
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	6/30/2022	15,000
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	7/31/2022	55,857

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53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	8/31/2022	33,230
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	9/30/2022	32,145
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	10/31/2022	54,524
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	12/31/2022	42,442
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	1/1/2022	(14,760)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	2/1/2022	(30,557)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	3/1/2022	(31,624)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	4/1/2022	(6,425)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	5/1/2022	(12,710)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	6/1/2022	(13,100)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	7/1/2022	(15,000)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	8/1/2022	(55,857)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	9/1/2022	(33,230)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	10/1/2022	(32,145)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	11/1/2022	(54,524)
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	2/2/2022	15,342
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	3/9/2022	12,524
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	4/13/2022	23,689
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	5/25/2022	13,529
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	6/29/2022	22,784
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	8/3/2022	24,967
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	8/31/2022	34,503
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	9/28/2022	37,065
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	11/2/2022	30,404
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	11/23/2022	29,635
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	12/14/2022	11,006
53155000	Contract Services - Legal	CT CORPORATION SYSTEM US	LEGAL SERVICES	KR	Vendor Invoice	12/7/2022	496
53155000	Contract Services - Legal	K & L GATES LLP K & L GATES CENTER-RCAC US	LEGAL SERVICES	YL	Legal Tracker	2/9/2022	1,882
53155000	Contract Services - Legal	K & L GATES LLP K & L GATES CENTER-RCAC US	LEGAL SERVICES	YL	Legal Tracker	3/23/2022	4,056
53155000	Contract Services - Legal	K & L GATES LLP K & L GATES CENTER-RCAC US	LEGAL SERVICES	YL	Legal Tracker	5/18/2022	1,893
53155000	Contract Services - Legal	K & L GATES LLP K & L GATES CENTER-RCAC US	LEGAL SERVICES	YL	Legal Tracker	6/27/2022	1,893
53155000	Contract Services - Legal	K & L GATES LLP K & L GATES CENTER-RCAC US	LEGAL SERVICES	YL	Legal Tracker	12/21/2022	1,420
53155000	Contract Services - Legal	K&L Gates	Accrued Legal	SV	Reversing JEs	4/30/2022	3,993
53155000	Contract Services - Legal	K&L Gates	Accrued Legal	SV	Reversing JEs	5/31/2022	1,893
53155000	Contract Services - Legal	K&L Gates	Accrued Legal	SV	Reversing JEs	11/30/2022	1,600
53155000	Contract Services - Legal	K&L Gates	JE Reversals	SG	JE Reversals	5/1/2022	(3,993)
53155000	Contract Services - Legal	K&L Gates	JE Reversals	SG	JE Reversals	6/1/2022	(1,893)
53155000	Contract Services - Legal	K&L Gates	JE Reversals	SG	JE Reversals	12/1/2022	(1,600)
53155000	Contract Services - Legal	Marjorie K Conner Attorney At Law US	NON-OPERATE ESTABLIS	YL	Legal Tracker	12/7/2022	1,200
53155000	Contract Services - Legal	MARJORIE K. CONNER	Accrued Legal	SV	Reversing JEs	11/30/2022	1,200
53155000	Contract Services - Legal	MARJORIE K. CONNER	JE Reversals	SG	JE Reversals	12/1/2022	(1,200)
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	1/31/2022	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	2/28/2022	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	3/31/2022	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	4/30/2022	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	5/31/2022	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	6/30/2022	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	7/31/2022	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	8/31/2022	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	9/30/2022	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	10/31/2022	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	11/30/2022	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	12/31/2022	83
53155000	Contract Services - Legal	Various	Reimburse EPLI Quarterly Claims Paid	SX	Adj. Document - Ext	12/31/2022	(1,624)
Total							**$972,334**

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53110016	Contract Svc-Eng - Admin & General	Croy Engineering LLC	Dayton Sewer Due Diligence Support	WE	Goods Receipt	7/13/2023	$5,925
53110016	Contract Svc-Eng - Admin & General	Croy Engineering LLC	Dayton Sewer Due Diligence Support	WE	Goods Receipt	8/9/2023	2,196
53110016	Contract Svc-Eng - Admin & General	Croy Engineering LLC	Dayton Sewer Due Diligence Support	WE	Goods Receipt	9/12/2023	1,476
53110016	Contract Svc-Eng - Admin & General	Croy Engineering LLC	Dayton Sewer Due Diligence Support	WE	Goods Receipt	10/10/2023	449
53150011	Contract Svc-Other - Source of Supply	ABPA	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	9/6/2023	85
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	KR	Vendor Invoice	1/30/2023	426
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	3/2/2023	8
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	5/2/2023	8
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	6/30/2023	14
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	9/6/2023	24
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	9/25/2023	12
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	RE	Invoice - Gross	12/7/2023	36
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	SG	JE Reversals	5/1/2023	(368)
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	SV	Reversing JEs	4/28/2023	368
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	2/20/2023	296
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	3/2/2023	360
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	3/21/2023	360
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	4/12/2023	555
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	5/2/2023	360
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	5/8/2023	148
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	5/16/2023	600
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	6/19/2023	1,200
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	6/27/2023	750
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	6/30/2023	600
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	7/13/2023	300
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	9/6/2023	3,420
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	9/25/2023	526
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	10/2/2023	1,350
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	10/30/2023	300
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	11/16/2023	296
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	12/7/2023	1,587
53150011	Contract Svc-Other - Source of Supply	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	WE	Goods Receipt	12/21/2023	450
53150013	Contract Svc-Other - Water Treatment	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	8/11/2023	189
53150014	Contract Svc-Other - Transmission & Distribution	Allied Underground	Allied Underground	SG	JE Reversals	1/1/2023	(1,000)
53150014	Contract Svc-Other - Transmission & Distribution	Atlas Roofing & Construction US		KR	Vendor Invoice	8/30/2023	597
53150014	Contract Svc-Other - Transmission & Distribution	B & B Plumbing & Heating Inc US	Plumbing HVAC	KR	Vendor Invoice	5/26/2023	165
53150014	Contract Svc-Other - Transmission & Distribution	B & B Plumbing & Heating Inc US	Plumbing HVAC	KR	Vendor Invoice	6/21/2023	98
53150014	Contract Svc-Other - Transmission & Distribution	B & B Plumbing & Heating Inc US	Plumbing HVAC	KR	Vendor Invoice	6/28/2023	533
53150014	Contract Svc-Other - Transmission & Distribution	B & B Plumbing & Heating Inc US	Plumbing HVAC	KR	Vendor Invoice	10/4/2023	676
53150014	Contract Svc-Other - Transmission & Distribution	ByrdLine	ByrdLine	SG	JE Reversals	1/1/2023	(719)
53150014	Contract Svc-Other - Transmission & Distribution	CALDWELL MACHINE & GRINDING	CUTTER REPAIR	WE	Goods Receipt	10/3/2023	675
53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONTRACTOR	2023 HVAC Contract	WE	Goods Receipt	1/20/2023	258
53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONTRACTOR	2023 HVAC Contract	WE	Goods Receipt	3/27/2023	258
53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONTRACTOR	2023 HVAC Contract	WE	Goods Receipt	5/25/2023	258
53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONTRACTOR	2023 HVAC Contract	WE	Goods Receipt	7/25/2023	258
53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONTRACTOR	2023 HVAC Contract	WE	Goods Receipt	9/7/2023	258
53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONTRACTOR	2023 HVAC Contract	WE	Goods Receipt	11/16/2023	258
53150014	Contract Svc-Other - Transmission & Distribution	CALLAHAN MECHANICAL CONTRACTOR	Callahan	WE	Goods Receipt	6/21/2023	144
53150014	Contract Svc-Other - Transmission & Distribution	J Fletcher Creamer & Son Inc US	RES CONSTRUCT, NEC	KA	Vendor Document	5/12/2023	(73)
53150014	Contract Svc-Other - Transmission & Distribution	NABCO ELECTRIC COMPANY INC	NABCO Lights Distribution	WE	Goods Receipt	8/9/2023	4,218
53150014	Contract Svc-Other - Transmission & Distribution	NICHOLS FLEET EQUIPMENT INC	Trailer Repair	RE	Invoice - Gross	10/26/2023	78
53150014	Contract Svc-Other - Transmission & Distribution	NICHOLS FLEET EQUIPMENT INC	Trailer Repair	WE	Goods Receipt	10/25/2023	841
53150014	Contract Svc-Other - Transmission & Distribution	QUALITY SERVICE SPECIALTIES IN US	Plumbing HVAC	KR	Vendor Invoice	3/10/2023	256
53150014	Contract Svc-Other - Transmission & Distribution	QUALITY SERVICE SPECIALTIES IN US	Plumbing HVAC	KR	Vendor Invoice	7/17/2023	256
53150014	Contract Svc-Other - Transmission & Distribution	RICKS LOCK AND KEY	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	5/24/2023	80
53150014	Contract Svc-Other - Transmission & Distribution	Sabrix	SABRIX REVERSEUSETAX 1026	SN	Use Tax Reversals	11/29/2023	(2,059)
53150014	Contract Svc-Other - Transmission & Distribution	STOWERS MACHINERY CORP	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	7/26/2023	(182)
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	1/31/2023	3,586

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53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	2/28/2023	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	3/31/2023	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	4/30/2023	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	5/31/2023	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	6/30/2023	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	7/31/2023	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	8/31/2023	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	9/30/2023	3,586
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	10/31/2023	3,578
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	11/30/2023	3,578
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SR	GA Recurring JE	12/31/2023	3,578
53150014	Contract Svc-Other - Transmission & Distribution	TENNESSEE ONE CALL SYSTEM INC US	TN One Call Amort	SX	Adj. Document - Ext	9/30/2023	(69)
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	1/31/2023	77
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	3/1/2023	77
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	4/3/2023	77
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	5/9/2023	77
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	6/14/2023	77
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	7/14/2023	77
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	7/26/2023	144
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	9/15/2023	77
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	10/20/2023	77
53150014	Contract Svc-Other - Transmission & Distribution	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	11/29/2023	77
53150014	Contract Svc-Other - Transmission & Distribution	TNT CONCRETE LLC	Bucket Repair	WE	Goods Receipt	10/20/2023	3,060
53150014	Contract Svc-Other - Transmission & Distribution	UNITED RENTALS 11470	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	8/10/2023	661
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Comb Utilities	KR	Vendor Invoice	11/6/2023	33,145
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	January 2023 USIC	WE	Goods Receipt	2/3/2023	33,207
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SG	JE Reversals	2/1/2023	(33,207)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SG	JE Reversals	3/1/2023	(28,739)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SG	JE Reversals	4/1/2023	(37,509)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SG	JE Reversals	5/1/2023	(33,046)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SG	JE Reversals	6/1/2023	(34,000)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SG	JE Reversals	7/1/2023	(32,516)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SG	JE Reversals	8/1/2023	(31,858)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SG	JE Reversals	9/1/2023	(31,000)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SV	Reversing JEs	1/31/2023	33,207
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SV	Reversing JEs	2/28/2023	28,739
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SV	Reversing JEs	3/31/2023	37,509
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SV	Reversing JEs	4/30/2023	33,046
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SV	Reversing JEs	5/31/2023	34,000
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SV	Reversing JEs	6/30/2023	32,516
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SV	Reversing JEs	7/31/2023	31,858
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	Locating Services	SV	Reversing JEs	8/31/2023	31,000
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	November USIC	WE	Goods Receipt	12/13/2023	32,724
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC April	WE	Goods Receipt	5/3/2023	33,046
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC August	WE	Goods Receipt	9/28/2023	34,266
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC February 2023	WE	Goods Receipt	3/15/2023	28,740
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC July	WE	Goods Receipt	8/4/2023	31,858
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC June 2023	WE	Goods Receipt	9/5/2023	32,516
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC Locating Services	SG	JE Reversals	1/1/2023	(22,658)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC Locating Services	SG	JE Reversals	10/1/2023	(34,000)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC Locating Services	SG	JE Reversals	11/1/2023	(34,000)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC Locating Services	SG	JE Reversals	12/1/2023	(34,000)
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC Locating Services	SV	Reversing JEs	9/30/2023	34,000
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC Locating Services	SV	Reversing JEs	10/31/2023	34,000
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC Locating Services	SV	Reversing JEs	11/30/2023	34,000
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC Locating Services	SV	Reversing JEs	12/31/2023	27,273
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC March	WE	Goods Receipt	4/18/2023	37,509
53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC May	WE	Goods Receipt	6/9/2023	32,869

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53150014	Contract Svc-Other - Transmission & Distribution	USIC LOCATING SERVICES US	USIC Setember	WE	Goods Receipt	10/6/2023	29,737
53150014	Contract Svc-Other - Transmission & Distribution	UTILIES PROTECTION CENTER INC US		KR	Vendor Invoice	3/1/2023	1,649
53150015	Contract Svc-Other - Customer Accounting	B & B Plumbing & Heating Inc US	Plumbing HVAC	KR	Vendor Invoice	5/15/2023	151
53150016	Contract Svc-Other - Admin & General	ADAMS & REESE LLP	2023 Adams and Reese Services	WE	Goods Receipt	1/19/2023	15,000
53150016	Contract Svc-Other - Admin & General	ADAMS & REESE LLP	2023 Adams and Reese Services	WE	Goods Receipt	5/8/2023	19,050
53150016	Contract Svc-Other - Admin & General	ADAMS & REESE LLP	2023 Adams and Reese Services	WE	Goods Receipt	7/31/2023	18,750
53150016	Contract Svc-Other - Admin & General	ADAMS & REESE LLP	2023 Adams and Reese Services	WE	Goods Receipt	11/1/2023	18,750
53150016	Contract Svc-Other - Admin & General	AMERICAN WATER WORKS ASSO	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	1/27/2023	1,340
53150016	Contract Svc-Other - Admin & General	B & B Plumbing & Heating Inc US	Plumbing HVAC	KR	Vendor Invoice	4/12/2023	80
53150016	Contract Svc-Other - Admin & General	B & B Plumbing & Heating Inc US	Plumbing HVAC	KR	Vendor Invoice	8/17/2023	219
53150016	Contract Svc-Other - Admin & General	BP Construction	BP Construction	SV	Reversing JEs	12/31/2023	9,776
53150016	Contract Svc-Other - Admin & General	BP Construction Company Inc	Flood Damage Chattanooga Engineering Bui	WE	Goods Receipt	3/21/2023	5,187
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	AC Repair	WE	Goods Receipt	11/27/2023	325
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	AC Repair in Meter Shop	WE	Goods Receipt	7/31/2023	239
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	AC Repair Water Leak	WE	Goods Receipt	11/27/2023	370
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	AC Service	WE	Goods Receipt	8/14/2023	379
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	AC Work	WE	Goods Receipt	7/31/2023	239
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	Callahan yearly PO 2023	WE	Goods Receipt	3/1/2023	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	Callahan yearly PO 2023	WE	Goods Receipt	3/28/2023	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	Callahan yearly PO 2023	WE	Goods Receipt	6/5/2023	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	Callahan yearly PO 2023	WE	Goods Receipt	7/20/2023	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	Callahan yearly PO 2023	WE	Goods Receipt	10/16/2023	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTOR	Callahan yearly PO 2023	WE	Goods Receipt	11/27/2023	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SG	JE Reversals	2/1/2023	(226)
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SG	JE Reversals	3/1/2023	(226)
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SG	JE Reversals	6/1/2023	(226)
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SG	JE Reversals	8/1/2023	(379)
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SG	JE Reversals	10/1/2023	(695)
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SV	Reversing JEs	1/31/2023	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SV	Reversing JEs	2/28/2023	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SV	Reversing JEs	5/31/2023	226
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SV	Reversing JEs	7/31/2023	379
53150016	Contract Svc-Other - Admin & General	CALLAHAN MECHANICAL CONTRACTORS,	1026 POACCRUALPOSTING	SV	Reversing JEs	9/29/2023	695
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	1/4/2023	100
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	1/9/2023	114
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	1/18/2023	91
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	2/6/2023	215
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	2/10/2023	46
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	2/14/2023	91
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	3/1/2023	8
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	3/7/2023	186
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	3/14/2023	101
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	3/22/2023	274
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	3/29/2023	91
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	4/10/2023	200
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	4/18/2023	91
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	5/8/2023	313
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	5/31/2023	91
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	6/14/2023	257
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	7/5/2023	289
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	8/4/2023	211
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	9/6/2023	6
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	9/7/2023	163
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	9/27/2023	91
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	10/2/2023	2
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	10/6/2023	41
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	11/2/2023	504
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	11/22/2023	19

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53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	12/14/2023	230
53150016	Contract Svc-Other - Admin & General	Canon Solutions America Inc US	COMMERCIAL PRINTING	KR	Vendor Invoice	12/26/2023	274
53150016	Contract Svc-Other - Admin & General	CHATTANOOGA FIRE PROTECTION US	GEN INDUST MACHINERY	KR	Vendor Invoice	12/4/2023	2,407
53150016	Contract Svc-Other - Admin & General	Dexter Technologies Inc US	COMP RELATD SERVICES	KR	Vendor Invoice	10/10/2023	1,758
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	3/1/2023	706
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	4/10/2023	238
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	5/26/2023	238
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	6/8/2023	252
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	7/6/2023	239
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	8/14/2023	233
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	9/25/2023	221
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	10/18/2023	222
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	11/15/2023	203
53150016	Contract Svc-Other - Admin & General	DISA Global Solutions Inc US	BUSINESS SERVICES	KR	Vendor Invoice	12/11/2023	273
53150016	Contract Svc-Other - Admin & General	EB CHATTANOOGA ENGINE	EB CHATTANOOGA ENGINE	SD	PCard Unmapped Accru	2/28/2023	292
53150016	Contract Svc-Other - Admin & General	EB CHATTANOOGA ENGINE	EB CHATTANOOGA ENGINE	SD	PCard Unmapped Accru	3/31/2023	292
53150016	Contract Svc-Other - Admin & General	EB CHATTANOOGA ENGINE	EB CHATTANOOGA ENGINE	SG	JE Reversals	3/1/2023	(292)
53150016	Contract Svc-Other - Admin & General	EB CHATTANOOGA ENGINE	EB CHATTANOOGA ENGINE	SG	JE Reversals	4/1/2023	(292)
53150016	Contract Svc-Other - Admin & General	EB CHATTANOOGA ENGINE	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	4/18/2023	292
53150016	Contract Svc-Other - Admin & General	GRAINGER WW GRAINGER INC US	BUSINESS SERVICES	KR	Vendor Invoice	8/28/2023	19
53150016	Contract Svc-Other - Admin & General	HireRight LLC US	DATA PROC & PREP	KR	Vendor Invoice	2/2/2023	189
53150016	Contract Svc-Other - Admin & General	HireRight LLC US	DATA PROC & PREP	KR	Vendor Invoice	5/24/2023	409
53150016	Contract Svc-Other - Admin & General	HireRight LLC US	DATA PROC & PREP	KR	Vendor Invoice	8/23/2023	1,291
53150016	Contract Svc-Other - Admin & General	Holland & Knight LLP	1026 POACCRUALPOSTING	SG	JE Reversals	8/1/2023	(5,500)
53150016	Contract Svc-Other - Admin & General	Holland & Knight LLP	1026 POACCRUALPOSTING	SG	JE Reversals	9/1/2023	(5,500)
53150016	Contract Svc-Other - Admin & General	Holland & Knight LLP	1026 POACCRUALPOSTING	SV	Reversing JEs	7/31/2023	5,500
53150016	Contract Svc-Other - Admin & General	Holland & Knight LLP	1026 POACCRUALPOSTING	SV	Reversing JEs	8/31/2023	5,500
53150016	Contract Svc-Other - Admin & General	Holland & Knight LLP	Holland & Knight - 2023 Services	WE	Goods Receipt	4/4/2023	11,000
53150016	Contract Svc-Other - Admin & General	Holland & Knight LLP	Holland & Knight - 2023 Services	WE	Goods Receipt	5/18/2023	5,500
53150016	Contract Svc-Other - Admin & General	Holland & Knight LLP	Holland & Knight - 2023 Services	WE	Goods Receipt	6/5/2023	5,678
53150016	Contract Svc-Other - Admin & General	Holland & Knight LLP	Holland & Knight - 2023 Services	WE	Goods Receipt	7/5/2023	5,500
53150016	Contract Svc-Other - Admin & General	Holland & Knight LLP	Holland & Knight - 2023 Services	WE	Goods Receipt	8/4/2023	5,500
53150016	Contract Svc-Other - Admin & General	Holland & Knight LLP	Holland & Knight - 2023 Services	WE	Goods Receipt	9/7/2023	5,500
53150016	Contract Svc-Other - Admin & General	Holland & Knight LLP	Holland & Knight - 2023 Services	WE	Goods Receipt	10/6/2023	5,500
53150016	Contract Svc-Other - Admin & General	Holland & Knight LLP	Holland & Knight - 2023 Services	WE	Goods Receipt	11/1/2023	5,500
53150016	Contract Svc-Other - Admin & General	Holland & Knight LLP	Holland & Knight - 2023 Services	WE	Goods Receipt	12/18/2023	5,500
53150016	Contract Svc-Other - Admin & General	J J Kokesh & Son Co Inc US	Plumbing HVAC	KA	Vendor Document	10/30/2023	(1,758)
53150016	Contract Svc-Other - Admin & General	Johnson Controls Security Solutions LLC US	SECURITY SYS SERVICE	ZI	PCard Inbound Int	5/31/2023	1,490
53150016	Contract Svc-Other - Admin & General	LEXICON PROMO	LEXICON PROMO	SD	PCard Unmapped Accru	3/31/2023	(42)
53150016	Contract Svc-Other - Admin & General	LEXICON PROMO	LEXICON PROMO	SD	PCard Unmapped Accru	4/30/2023	(66)
53150016	Contract Svc-Other - Admin & General	LEXICON PROMO	LEXICON PROMO	SG	JE Reversals	4/1/2023	42
53150016	Contract Svc-Other - Admin & General	LEXICON PROMO	LEXICON PROMO	SG	JE Reversals	5/1/2023	66
53150016	Contract Svc-Other - Admin & General	LOELLKE PLUMBING LLC US	Plumbing HVAC	KR	Vendor Invoice	12/18/2023	4,169
53150016	Contract Svc-Other - Admin & General	Mars Co	Test Machine Calibration	WE	Goods Receipt	8/24/2023	1,920
53150016	Contract Svc-Other - Admin & General	MSDSONLINE INC US	DATA PROC & PREP	KR	Vendor Invoice	4/10/2023	2,863
53150016	Contract Svc-Other - Admin & General	NABCO ELECTRIC COMPANY INC	1026 POACCRUALPOSTING	SG	JE Reversals	10/1/2023	(224)
53150016	Contract Svc-Other - Admin & General	NABCO ELECTRIC COMPANY INC	1026 POACCRUALPOSTING	SV	Reversing JEs	9/29/2023	224
53150016	Contract Svc-Other - Admin & General	NABCO ELECTRIC COMPANY INC	NABCO Electric - Meter Shop Microwave	WE	Goods Receipt	10/6/2023	224
53150016	Contract Svc-Other - Admin & General	Neptune Technology Group Inc	Maintenance Subscription	WE	Goods Receipt	1/6/2023	22,865
53150016	Contract Svc-Other - Admin & General	Presidio Networked Solutions L US	ENGINEERING SERVICES	KA	Vendor Document	5/12/2023	(79)
53150016	Contract Svc-Other - Admin & General	Q Strategies LLC	1026 POACCRUALPOSTING	SG	JE Reversals	2/1/2023	(3,000)
53150016	Contract Svc-Other - Admin & General	Q Strategies LLC	1026 POACCRUALPOSTING	SV	Reversing JEs	1/31/2023	3,000
53150016	Contract Svc-Other - Admin & General	Quadient Finance USA Inc US	OFFICE MACHINES, NEC	KR	Vendor Invoice	2/10/2023	345
53150016	Contract Svc-Other - Admin & General	Quadient Finance USA Inc US	OFFICE MACHINES, NEC	KR	Vendor Invoice	3/14/2023	0
53150016	Contract Svc-Other - Admin & General	Quadient Finance USA Inc US	OFFICE MACHINES, NEC	KR	Vendor Invoice	5/24/2023	16
53150016	Contract Svc-Other - Admin & General	Quadient Finance USA Inc US	OFFICE MACHINES, NEC	KR	Vendor Invoice	7/20/2023	549
53150016	Contract Svc-Other - Admin & General	Quadient Leasing USA Inc DEPT 3682 US	OFFICE MACHINES, NEC	KR	Vendor Invoice	1/18/2023	265
53150016	Contract Svc-Other - Admin & General	Quadient Leasing USA Inc DEPT 3682 US	OFFICE MACHINES, NEC	KR	Vendor Invoice	5/8/2023	265

Account	Account Description	Vendor	Posting Description	Document Type	Document Type Description	Posting Date	Amount
53150016	Contract Svc-Other - Admin & General	Quadient Leasing USA Inc DEPT 3682 US	OFFICE MACHINES, NEC	KR	Vendor Invoice	7/20/2023	282
53150016	Contract Svc-Other - Admin & General	Quadient Leasing USA Inc DEPT 3682 US	OFFICE MACHINES, NEC	KR	Vendor Invoice	10/31/2023	265
53150016	Contract Svc-Other - Admin & General	Qualtrics	Qualtrics Amort	SM	GA Global Recurr JE	1/31/2023	406
53150016	Contract Svc-Other - Admin & General	Qualtrics	Qualtrics Amort	SM	GA Global Recurr JE	2/28/2023	406
53150016	Contract Svc-Other - Admin & General	Qualtrics	Qualtrics Amort	SM	GA Global Recurr JE	3/31/2023	406
53150016	Contract Svc-Other - Admin & General	Qualtrics	Qualtrics Amort	SM	GA Global Recurr JE	4/30/2023	406
53150016	Contract Svc-Other - Admin & General	Qualtrics	Qualtrics Amort	SM	GA Global Recurr JE	5/31/2023	406
53150016	Contract Svc-Other - Admin & General	Qualtrics	Qualtrics Amort	SM	GA Global Recurr JE	6/30/2023	406
53150016	Contract Svc-Other - Admin & General	Qualtrics	Qualtrics Amort	SM	GA Global Recurr JE	7/31/2023	406
53150016	Contract Svc-Other - Admin & General	Qualtrics	Qualtrics Amort	SM	GA Global Recurr JE	8/31/2023	406
53150016	Contract Svc-Other - Admin & General	Qualtrics	Qualtrics Amort	SM	GA Global Recurr JE	9/30/2023	406
53150016	Contract Svc-Other - Admin & General	Qualtrics	Qualtrics Amort	SM	GA Global Recurr JE	10/31/2023	406
53150016	Contract Svc-Other - Admin & General	Qualtrics	Qualtrics Amort	SM	GA Global Recurr JE	11/30/2023	406
53150016	Contract Svc-Other - Admin & General	Qualtrics	Qualtrics Amort	SM	GA Global Recurr JE	12/31/2023	406
53150016	Contract Svc-Other - Admin & General	Qualtrics	Qualtrics True Up	SA	G/L Account Document	2/28/2023	0
53150016	Contract Svc-Other - Admin & General	RICKS LOCK AND KEY	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	12/1/2023	80
53150016	Contract Svc-Other - Admin & General	RICKS LOCK AND KEY	RICKS LOCK AND KEY	SD	PCard Unmapped Accru	11/30/2023	80
53150016	Contract Svc-Other - Admin & General	RICKS LOCK AND KEY	RICKS LOCK AND KEY	SG	JE Reversals	12/1/2023	(80)
53150016	Contract Svc-Other - Admin & General	Sabrix	500010116910262023	SN	Use Tax Reversals	3/30/2023	(1,317)
53150016	Contract Svc-Other - Admin & General	Sabrix	Sabrix Rev Use Tax - SC	SN	Use Tax Reversals	8/31/2023	(14)
53150016	Contract Svc-Other - Admin & General	Sabrix	SABRIX REVERSEUSETAX 1033	SN	Use Tax Reversals	8/31/2023	(15)
53150016	Contract Svc-Other - Admin & General	Sabrix	SABRIX REVERSEUSETAX 1033	SN	Use Tax Reversals	9/29/2023	(19)
53150016	Contract Svc-Other - Admin & General	Sabrix	SABRIX REVERSEUSETAX 1033	SN	Use Tax Reversals	10/31/2023	(14)
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	1/5/2023	2
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	2/8/2023	335
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	2/20/2023	2
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	3/10/2023	38
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	4/6/2023	39
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	5/8/2023	44
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	6/8/2023	111
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	7/16/2023	49
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	8/15/2023	116
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	9/25/2023	46
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	10/18/2023	67
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	11/15/2023	196
53150016	Contract Svc-Other - Admin & General	Samba Holdings Inc DEPT LA 24536 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	12/13/2023	171
53150016	Contract Svc-Other - Admin & General	SIMPLIFY COMPLIANCE LLC	SIMPLIFY COMPLIANCE LLC	SG	JE Reversals	1/1/2023	(212)
53150016	Contract Svc-Other - Admin & General	SQ *RAMSAY CORPORATION	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	11/27/2023	393
53150016	Contract Svc-Other - Admin & General	TENNESSEE VALLEY ICE COMP	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	8/3/2023	509
53150016	Contract Svc-Other - Admin & General	TENNESSEE VALLEY ICE COMP	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	8/9/2023	323
53150016	Contract Svc-Other - Admin & General	TENNESSEE VALLEY ICE COMP	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	10/11/2023	384
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	1/19/2023	80
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	1/30/2023	84
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	2/7/2023	80
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	3/9/2023	80
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	3/14/2023	84
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	4/3/2023	84
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	5/8/2023	80
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	5/17/2023	78
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	5/24/2023	82
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	6/9/2023	82
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	6/19/2023	80
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	7/20/2023	427
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	8/17/2023	141
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	8/22/2023	82
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	8/23/2023	98
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	8/29/2023	144
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	9/14/2023	82

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53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	9/15/2023	289
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	10/2/2023	141
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	10/10/2023	198
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	10/13/2023	180
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	10/30/2023	141
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	11/8/2023	214
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	11/20/2023	82
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	11/29/2023	225
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	12/5/2023	82
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	12/6/2023	77
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	12/12/2023	214
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	12/14/2023	84
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	12/19/2023	141
53150016	Contract Svc-Other - Admin & General	TERMINIX PROCESSING CENTER US	ANIM SPECLTY SERV	KR	Vendor Invoice	12/28/2023	274
53150016	Contract Svc-Other - Admin & General	THE UPS STORE 3188	THE UPS STORE 3188	SD	PCard Unmapped Accru	9/30/2023	155
53150016	Contract Svc-Other - Admin & General	THE UPS STORE 3188	THE UPS STORE 3188	SG	JE Reversals	10/1/2023	(155)
53150016	Contract Svc-Other - Admin & General	THE UPS STORE 6181	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	5/10/2023	23
53150016	Contract Svc-Other - Admin & General	TN Renewable Energy & Economic Development Council	TN Renewable Energy & Economic Development Council	SV	Reversing JEs	12/31/2023	5,000
53150016	Contract Svc-Other - Admin & General	TNT Concrete	TNT Concrete	SV	Reversing JEs	12/31/2023	2,500
53150016	Contract Svc-Other - Admin & General	USIC LOCATING SERVICES US	Professional service charges	SG	JE Reversals	4/1/2023	(5,500)
53150016	Contract Svc-Other - Admin & General	USIC LOCATING SERVICES US	Professional service charges	SV	Reversing JEs	3/31/2023	5,500
53150016	Contract Svc-Other - Admin & General	Vital Records Control Dept 5874 US	DATA PROC & PREP	KR	Vendor Invoice	8/24/2023	101
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	3/16/2023	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	3/21/2023	111
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	5/10/2023	154
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	5/24/2023	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	6/29/2023	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	8/23/2023	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	9/21/2023	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	10/11/2023	(95)
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	10/31/2023	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	11/22/2023	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	12/19/2023	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SD	PCard Unmapped Accru	2/28/2023	95
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SD	PCard Unmapped Accru	4/30/2023	154
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SG	JE Reversals	3/1/2023	(95)
53150016	Contract Svc-Other - Admin & General	VRC COMPANIES LLC	VRC COMPANIES LLC	SG	JE Reversals	5/1/2023	(154)
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	1026 POACCRUALPOSTING	SG	JE Reversals	3/1/2023	(5,500)
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	1026 POACCRUALPOSTING	SV	Reversing JEs	2/28/2023	5,500
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	2023 Waller Law Services	WE	Goods Receipt	1/19/2023	5,500
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis	2023 Waller Law Services	WE	Goods Receipt	2/28/2023	5,500
53150016	Contract Svc-Other - Admin & General	Waller Lansden Dortch & Davis MSC 7594 US	BUISNESS CONSLT, NEC	KR	Vendor Invoice	3/16/2023	18,992
53152000	Contract Svc-Lab Testing - Water Treatment	AMERICAN WATER WORKS SERV US	Radiological testing - Citico	KR	Vendor Invoice	8/3/2023	58
53152000	Contract Svc-Lab Testing - Water Treatment	Sabrix	Sabrix Rev Use Tax - SC	SN	Use Tax Reversals	8/31/2023	(5)
53152000	Contract Svc-Lab Testing - Water Treatment	SQ *AIRL INC.	A/P - Pcard Accrual	SD	PCard Unmapped Accru	12/31/2023	30
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	A/P - Pcard Accrual	SD	PCard Unmapped Accru	5/31/2023	168
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	A/P - Pcard Accrual	SD	PCard Unmapped Accru	7/31/2023	336
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	A/P - Pcard Accrual	SD	PCard Unmapped Accru	8/31/2023	168
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	A/P - Pcard Accrual	SD	PCard Unmapped Accru	11/30/2023	168
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	JE Reversals	SG	JE Reversals	6/1/2023	(168)
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	JE Reversals	SG	JE Reversals	8/1/2023	(336)
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	JE Reversals	SG	JE Reversals	9/1/2023	(168)
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	JE Reversals	SG	JE Reversals	12/1/2023	(168)
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	1/27/2023	336
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	2/15/2023	168
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	3/13/2023	336
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	4/12/2023	336
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	5/17/2023	336

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Account	Account Description	Vendor	Posting Description	Document Type	Document Type Description	Posting Date	Amount
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	6/1/2023	168
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	6/8/2023	168
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	6/28/2023	336
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	8/9/2023	336
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	8/29/2023	168
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	9/14/2023	168
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	9/28/2023	336
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	10/31/2023	168
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	11/16/2023	168
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	12/7/2023	168
53152000	Contract Svc-Lab Testing - Water Treatment	WAYPOINT ANALYTICAL- INC	PCard Distributed-Clearing for Mapped Transactions	ZI	PCard Inbound Int	12/19/2023	215
53154000	Contract Services - Audit Fees	PWC	Dec - PWC Invoice	KR	Vendor Invoice	12/18/2023	6,741
53154000	Contract Services - Audit Fees	PWC	December PWC Invoice	KR	Vendor Invoice	1/13/2023	7,888
53154000	Contract Services - Audit Fees	PWC	Feb PWC Invoice	KR	Vendor Invoice	2/27/2023	7,705
53154000	Contract Services - Audit Fees	PWC	July PWC Invoice	KR	Vendor Invoice	8/16/2023	6,551
53154000	Contract Services - Audit Fees	PWC	Nov - PWC Invoice	KR	Vendor Invoice	11/29/2023	6,551
53154000	Contract Services - Audit Fees	PWC	PWC	KR	Vendor Invoice	4/27/2023	5,897
53154000	Contract Services - Audit Fees	PWC	PWC - Final S4 Bill	KR	Vendor Invoice	11/21/2023	760
53154000	Contract Services - Audit Fees	PWC	PWC - October Invoice	KR	Vendor Invoice	10/20/2023	6,551
53154000	Contract Services - Audit Fees	PWC	PWC - S4 Implementation Bill	KR	Vendor Invoice	11/21/2023	2,326
53154000	Contract Services - Audit Fees	PWC	PWC 2023-24 Invoice - July	KR	Vendor Invoice	7/24/2023	6,551
53154000	Contract Services - Audit Fees	PWC	PWC 2023-24 Invoice - June	KR	Vendor Invoice	6/14/2023	6,741
53154000	Contract Services - Audit Fees	PWC	PWC 2023-24 Invoice - May	KR	Vendor Invoice	5/25/2023	7,608
53154000	Contract Services - Audit Fees	PWC	PwC Inv # 10354367186 - Alloc Correction	SX	Adj. Document - Ext	5/31/2023	(2,651)
53154000	Contract Services - Audit Fees	PWC	PWC SDLC Invoice	KR	Vendor Invoice	2/27/2023	1,183
53154000	Contract Services - Audit Fees	PWC	PWC Sub Report Billling	KR	Vendor Invoice	3/22/2023	4,678
53154000	Contract Services - Audit Fees	PWC	Sept PWC Invoice	KR	Vendor Invoice	9/27/2023	6,931
53155000	Contract Services - Legal	Baker Donelson	Refund overpayments	RV	Billing Doc.Transfer	12/14/2023	(728)
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	1/4/2023	2,595
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	2/22/2023	83
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	2/28/2023	438
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	3/13/2023	7,332
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	3/22/2023	839
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	5/10/2023	59
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	5/17/2023	3,931
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	8/2/2023	5,798
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	8/30/2023	420
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	9/6/2023	534
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	11/1/2023	681
53155000	Contract Services - Legal	BAKER DONELSON BEARMAN & CALDW BERKOW US	LEGAL SERVICES	YL	Legal Tracker	12/20/2023	208
53155000	Contract Services - Legal	Baker, Donelson	Accrued Legal	SV	Reversing JEs	1/31/2023	1,568
53155000	Contract Services - Legal	Baker, Donelson	Accrued Legal	SV	Reversing JEs	2/28/2023	11,775
53155000	Contract Services - Legal	Baker, Donelson	Accrued Legal	SV	Reversing JEs	3/31/2023	66,012
53155000	Contract Services - Legal	Baker, Donelson	Accrued Legal	SV	Reversing JEs	4/30/2023	108,524
53155000	Contract Services - Legal	Baker, Donelson	Accrued Legal	SV	Reversing JEs	5/31/2023	1,475
53155000	Contract Services - Legal	Baker, Donelson	Accrued Legal	SV	Reversing JEs	6/30/2023	5,391
53155000	Contract Services - Legal	Baker, Donelson	Accrued Legal	SV	Reversing JEs	7/31/2023	6,543
53155000	Contract Services - Legal	Baker, Donelson	Accrued Legal	SV	Reversing JEs	8/31/2023	624
53155000	Contract Services - Legal	Baker, Donelson	Accrued Legal	SV	Reversing JEs	9/30/2023	685
53155000	Contract Services - Legal	Baker, Donelson	Accrued Legal	SV	Reversing JEs	10/31/2023	861
53155000	Contract Services - Legal	Baker, Donelson	Accrued Legal	SV	Reversing JEs	11/30/2023	488
53155000	Contract Services - Legal	Baker, Donelson	Accrued Legal	SV	Reversing JEs	12/31/2023	269
53155000	Contract Services - Legal	Baker, Donelson	JE Reversals	SG	JE Reversals	1/1/2023	(10,521)
53155000	Contract Services - Legal	Baker, Donelson	JE Reversals	SG	JE Reversals	2/1/2023	(1,568)
53155000	Contract Services - Legal	Baker, Donelson	JE Reversals	SG	JE Reversals	3/1/2023	(11,775)
53155000	Contract Services - Legal	Baker, Donelson	JE Reversals	SG	JE Reversals	4/1/2023	(66,012)
53155000	Contract Services - Legal	Baker, Donelson	JE Reversals	SG	JE Reversals	5/1/2023	(108,524)
53155000	Contract Services - Legal	Baker, Donelson	JE Reversals	SG	JE Reversals	6/1/2023	(1,475)

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53155000	Contract Services - Legal	Baker, Donelson	JE Reversals	SG	JE Reversals	7/1/2023	(5,391)
53155000	Contract Services - Legal	Baker, Donelson	JE Reversals	SG	JE Reversals	8/1/2023	(6,543)
53155000	Contract Services - Legal	Baker, Donelson	JE Reversals	SG	JE Reversals	9/1/2023	(624)
53155000	Contract Services - Legal	Baker, Donelson	JE Reversals	SG	JE Reversals	10/1/2023	(685)
53155000	Contract Services - Legal	Baker, Donelson	JE Reversals	SG	JE Reversals	11/1/2023	(861)
53155000	Contract Services - Legal	Baker, Donelson	JE Reversals	SG	JE Reversals	12/1/2023	(488)
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	1/31/2023	21,291
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	2/28/2023	26,092
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	3/31/2023	16,088
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	4/30/2023	27,284
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	5/31/2023	15,396
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	6/30/2023	3,400
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	7/31/2023	34,913
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	8/31/2023	42,332
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	9/30/2023	17,452
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	10/31/2023	39,845
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	11/30/2023	7,705
53155000	Contract Services - Legal	Butler Snow	Accrued Legal	SV	Reversing JEs	12/31/2023	11,397
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	1/1/2023	(42,442)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	2/1/2023	(21,291)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	3/1/2023	(26,092)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	4/1/2023	(16,088)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	5/1/2023	(27,284)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	6/1/2023	(15,396)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	7/1/2023	(3,400)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	8/1/2023	(34,913)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	9/1/2023	(42,332)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	10/1/2023	(17,452)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	11/1/2023	(39,845)
53155000	Contract Services - Legal	Butler Snow	JE Reversals	SG	JE Reversals	12/1/2023	(7,705)
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	2/22/2023	4,089
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	3/22/2023	23,577
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	5/17/2023	28,720
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	6/28/2023	25,896
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	8/2/2023	18,613
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	9/6/2023	19,832
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	9/13/2023	24,576
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	11/1/2023	19,478
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	11/29/2023	23,625
53155000	Contract Services - Legal	Butler Snow LLP US	LEGAL SERVICES	YL	Legal Tracker	12/20/2023	6,552
53155000	Contract Services - Legal	Consilio LLC US	Consilio LLC US	KR	Vendor Invoice	6/26/2023	12,055
53155000	Contract Services - Legal	Jackson Kelly	Accrued Legal	SV	Reversing JEs	7/31/2023	3,317
53155000	Contract Services - Legal	Jackson Kelly	Accrued Legal	SV	Reversing JEs	10/31/2023	380
53155000	Contract Services - Legal	Jackson Kelly	Accrued Legal	SV	Reversing JEs	11/30/2023	10,566
53155000	Contract Services - Legal	Jackson Kelly	JE Reversals	SG	JE Reversals	8/1/2023	(3,317)
53155000	Contract Services - Legal	Jackson Kelly	JE Reversals	SG	JE Reversals	11/1/2023	(380)
53155000	Contract Services - Legal	Jackson Kelly	JE Reversals	SG	JE Reversals	12/1/2023	(10,566)
53155000	Contract Services - Legal	JACKSON KELLY PLLC US	LEGAL SERVICES	YL	Legal Tracker	2/28/2023	1,371
53155000	Contract Services - Legal	JACKSON KELLY PLLC US	LEGAL SERVICES	YL	Legal Tracker	3/29/2023	490
53155000	Contract Services - Legal	JACKSON KELLY PLLC US	LEGAL SERVICES	YL	Legal Tracker	5/31/2023	409
53155000	Contract Services - Legal	JACKSON KELLY PLLC US	LEGAL SERVICES	YL	Legal Tracker	8/16/2023	1,080
53155000	Contract Services - Legal	JACKSON KELLY PLLC US	LEGAL SERVICES	YL	Legal Tracker	8/30/2023	2,499
53155000	Contract Services - Legal	JACKSON KELLY PLLC US	LEGAL SERVICES	YL	Legal Tracker	9/20/2023	1,051
53155000	Contract Services - Legal	JACKSON KELLY PLLC US	LEGAL SERVICES	YL	Legal Tracker	11/1/2023	263
53155000	Contract Services - Legal	JACKSON KELLY PLLC US	LEGAL SERVICES	YL	Legal Tracker	11/29/2023	204
53155000	Contract Services - Legal	JACKSON KELLY PLLC US	LEGAL SERVICES	YL	Legal Tracker	12/27/2023	10,420
53155000	Contract Services - Legal	K & L GATES LLP K & L GATES CENTER-RCAC US	LEGAL SERVICES	YL	Legal Tracker	3/22/2023	199
53155000	Contract Services - Legal	K & L GATES LLP K & L GATES CENTER-RCAC US	LEGAL SERVICES	YL	Legal Tracker	11/29/2023	7,078

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Account	Account Description	Vendor	Posting Description	Document Type	Document Type Description	Posting Date	Amount
53155000	Contract Services - Legal	K & L GATES LLP K & L GATES CENTER-RCAC US	LEGAL SERVICES	YL	Legal Tracker	12/20/2023	862
53155000	Contract Services - Legal	K&L Gates	Accrued Legal	SV	Reversing JEs	2/28/2023	500
53155000	Contract Services - Legal	K&L Gates	Accrued Legal	SV	Reversing JEs	10/31/2023	7,700
53155000	Contract Services - Legal	K&L Gates	Accrued Legal	SV	Reversing JEs	11/30/2023	950
53155000	Contract Services - Legal	K&L Gates	Accrued Legal	SV	Reversing JEs	12/31/2023	800
53155000	Contract Services - Legal	K&L Gates	JE Reversals	SG	JE Reversals	3/1/2023	(500)
53155000	Contract Services - Legal	K&L Gates	JE Reversals	SG	JE Reversals	11/1/2023	(7,700)
53155000	Contract Services - Legal	K&L Gates	JE Reversals	SG	JE Reversals	12/1/2023	(950)
53155000	Contract Services - Legal	Morgan Lewis & Bocki	Accrued Legal	SV	Reversing JEs	7/31/2023	2,739
53155000	Contract Services - Legal	Morgan Lewis & Bocki	Accrued Legal	SV	Reversing JEs	8/31/2023	2,739
53155000	Contract Services - Legal	Morgan Lewis & Bocki	JE Reversals	SG	JE Reversals	8/1/2023	(2,739)
53155000	Contract Services - Legal	Morgan Lewis & Bocki	JE Reversals	SG	JE Reversals	9/1/2023	(2,739)
53155000	Contract Services - Legal	MORGAN LEWIS & BOCKIUS LLP S-6050 US	LEGAL SERVICES	YL	Legal Tracker	9/20/2023	2,558
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	1/31/2023	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	2/28/2023	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	3/31/2023	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	4/30/2023	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	5/31/2023	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	6/30/2023	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	7/31/2023	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	8/31/2023	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	9/30/2023	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	10/31/2023	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	11/30/2023	83
53155000	Contract Services - Legal	Various	Amortization of Jasper Highlands closing costs	SA	G/L Account Document	12/31/2023	83
Total							**$990,301**

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GL Account	Account Description	Explanation	Ledger Date	2022 Amount
53401000	AWWSC Services - Labor OPEX	Service Company Bill	1/31/2022	$279,915
			2/28/2022	288,966
			3/31/2022	537,535
			4/30/2022	83,431
			5/31/2022	258,007
			6/30/2022	385,271
			7/31/2022	243,226
			8/31/2022	265,023
			9/30/2022	280,645
			10/31/2022	260,392
			11/30/2022	245,089
			12/31/2022	312,308
	AWWSC Services - Labor OPEX Total			$3,439,807
53401100	AWWSC Services - Pension OPEX	Service Company Bill	1/31/2022	$14,964
			2/28/2022	14,121
			3/31/2022	13,005
			4/30/2022	14,472
			5/31/2022	13,362
			6/30/2022	13,052
			7/31/2022	13,693
			8/31/2022	16,870
			9/30/2022	12,709
			10/31/2022	13,066
			11/30/2022	12,077
			12/31/2022	12,063
	AWWSC Services - Pension OPEX Total			$163,454
53401200	AWWSC Services - Group Insurance OPEX	Service Company Bill	1/31/2022	$47,083
			2/28/2022	37,305
			3/31/2022	41,764
			4/30/2022	36,338
			5/31/2022	36,565
			6/30/2022	36,130
			7/31/2022	32,943
			8/31/2022	36,916
			9/30/2022	35,727
			10/31/2022	33,967
			11/30/2022	31,503
			12/31/2022	31,077
	AWWSC Services - Group Insurance OPEX Total			$437,318
53401300	AWWSC Services - Other Benefits OPEX	Service Company Bill	1/31/2022	$18,848
			2/28/2022	19,785
			3/31/2022	25,249
			4/30/2022	14,616
			5/31/2022	20,870
			6/30/2022	21,012
			7/31/2022	16,149
			8/31/2022	21,222
			9/30/2022	25,817
			10/31/2022	18,257
			11/30/2022	20,989
			12/31/2022	20,107
	AWWSC Services - Other Benefits OPEX Total			$242,922
53401400	AWWSC Services - Contracted Services OPEX	Service Company Bill	1/31/2022	$75,226
			2/28/2022	63,769
			3/31/2022	57,416
			4/30/2022	63,599
			5/31/2022	72,969
			6/30/2022	62,481
			7/31/2022	50,132
			8/31/2022	50,331
			9/30/2022	68,280
			10/31/2022	57,643
			11/30/2022	77,811
			12/31/2022	78,854
	AWWSC Services - Contracted Services OPEX Total			$778,510

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GL Account	Account Description	Explanation	Ledger Date	2022 Amount
53401500	AWWSC Services - Office Supplies OPEX	Service Company Bill	1/31/2022	$39,326
			2/28/2022	32,815
			3/31/2022	32,104
			4/30/2022	33,721
			5/31/2022	15,118
			6/30/2022	30,807
			7/31/2022	41,467
			8/31/2022	25,450
			9/30/2022	36,809
			10/31/2022	29,051
			11/30/2022	40,324
			12/31/2022	44,634
	AWWSC Services - Office Supplies OPEX Total			$401,626
53401700	AWWSC Services - Rents OPEX	Service Company Bill	1/31/2022	$13,370
			2/28/2022	19,186
			3/31/2022	20,544
			4/30/2022	20,301
			5/31/2022	17,774
			6/30/2022	18,046
			7/31/2022	12,491
			8/31/2022	18,737
			9/30/2022	17,714
			10/31/2022	14,349
			11/30/2022	17,395
			12/31/2022	80,264
	AWWSC Services - Rents OPEX Total			$270,173
53401800	AWWSC Services Customer Accounting OPEX	Service Company Bill	1/31/2022	$67,977
			2/28/2022	78,214
			3/31/2022	102,309
			4/30/2022	73,863
			5/31/2022	79,468
			6/30/2022	90,349
			7/31/2022	113,301
			8/31/2022	82,788
			9/30/2022	87,159
			10/31/2022	104,996
			11/30/2022	109,052
			12/31/2022	73,767
	AWWSC Services Customer Accounting OPEX Total			$1,063,243
53401900	AWWSC Services - Maint Supplies & Svcs OPEX	Service Company Bill	1/31/2022	$27,010
			2/28/2022	29,865
			3/31/2022	22,676
			4/30/2022	26,422
			5/31/2022	48,335
			6/30/2022	27,941
			7/31/2022	26,421
			8/31/2022	23,065
			9/30/2022	21,055
			10/31/2022	24,364
			11/30/2022	22,159
			12/31/2022	32,555
	AWWSC Services - Maint Supplies & Svcs OPEX Total			$331,869
53402100	AWWSC Services - Other O&M Expense OPEX	Service Company Bill	1/31/2022	$16,668
			2/28/2022	24,907
			3/31/2022	(21,407)
			4/30/2022	11,428
			5/31/2022	13,446
			6/30/2022	30,720
			7/31/2022	13,623
			8/31/2022	17,993
			9/30/2022	27,080
			10/31/2022	27,396
			11/30/2022	9,144
			12/31/2022	7,793
	AWWSC Services - Other O&M Expense OPEX Total			$178,791

Tennessee American Water
Minimum Filing Guidelines
Question 014 - 2022 Service Company charges

GL Account	Account Description	Explanation	Ledger Date	2022 Amount
53402200	AWWSC Services - Depr & Amort OPEX	Service Company Bill	1/31/2022	$21,337
			2/28/2022	19,561
			3/31/2022	79,445
			4/30/2022	68,052
			5/31/2022	50,973
			6/30/2022	48,142
			7/31/2022	38,773
			8/31/2022	42,461
			9/30/2022	37,744
			10/31/2022	36,982
			11/30/2022	36,877
			12/31/2022	37,550
	AWWSC Services - Depr & Amort OPEX Total			$517,898
53402300	AWWSC Services - General Taxes OPEX	Service Company Bill	1/31/2022	$31,820
			2/28/2022	40,392
			3/31/2022	20,813
			4/30/2022	20,183
			5/31/2022	17,075
			6/30/2022	18,065
			7/31/2022	15,520
			8/31/2022	17,593
			9/30/2022	18,509
			10/31/2022	15,809
			11/30/2022	14,930
			12/31/2022	11,927
	AWWSC Services - General Taxes OPEX Total			$242,637
53402400	AWWSC Services - Net Interest OPEX	Service Company Bill	1/31/2022	($1,217)
			2/28/2022	3,106
			3/31/2022	1,086
			4/30/2022	1,169
			5/31/2022	(677)
			6/30/2022	(782)
			7/31/2022	(2,345)
			8/31/2022	(2,342)
			9/30/2022	(3,462)
			10/31/2022	(5,977)
			11/30/2022	(6,009)
			12/31/2022	(1,155)
	AWWSC Services - Net Interest OPEX Total			($18,605)
53402600	AWWSC Services - Income Taxes OPEX	Service Company Bill	1/31/2022	$243
			2/28/2022	184
			3/31/2022	1,085
			4/30/2022	811
			5/31/2022	820
			6/30/2022	803
			7/31/2022	818
			8/31/2022	803
			9/30/2022	799
			10/31/2022	800
			11/30/2022	1,023
			12/31/2022	(18,083)
	AWWSC Services - Income Taxes OPEX Total			($9,893)
Service Company Total - 2022				**$8,039,750**

Tennessee American Water
Minimum Filing Guidelines
Question 014 - 2023 Service Company charges

GL Account	Account Description	Explanation	Ledger Date	2023 Amount
53401000	AWWSC Services - Labor OPEX	Service Company Bill	1/31/2023	$255,710
			2/28/2023	238,804
			3/31/2023	355,160
			4/30/2023	258,669
			5/31/2023	286,602
			6/30/2023	416,657
			7/31/2023	277,877
			8/31/2023	281,706
			9/30/2023	449,955
			10/31/2023	262,801
			11/30/2023	280,057
			12/31/2023	356,899
	AWWSC Services - Labor OPEX Total			$3,720,898
53401100	AWWSC Services - Pension OPEX	Service Company Bill	1/31/2023	$6,555
			2/28/2023	8,306
			3/31/2023	6,515
			4/30/2023	7,056
			5/31/2023	7,166
			6/30/2023	7,109
			7/31/2023	7,572
			8/31/2023	7,260
			9/30/2023	7,266
			10/31/2023	6,826
			11/30/2023	6,795
			12/31/2023	6,870
	AWWSC Services - Pension OPEX Total			$85,295
53401200	AWWSC Services - Group Insurance OPEX	Service Company Bill	1/31/2023	$34,564
			2/28/2023	26,270
			3/31/2023	31,639
			4/30/2023	29,332
			5/31/2023	33,828
			6/30/2023	30,423
			7/31/2023	32,091
			8/31/2023	33,830
			9/30/2023	30,954
			10/31/2023	29,715
			11/30/2023	29,926
			12/31/2023	(13,026)
	AWWSC Services - Group Insurance OPEX Total			$329,546
53401300	AWWSC Services - Other Benefits OPEX	Service Company Bill	1/31/2023	$20,783
			2/28/2023	18,459
			3/31/2023	23,016
			4/30/2023	16,692
			5/31/2023	23,958
			6/30/2023	17,471
			7/31/2023	16,831
			8/31/2023	24,395
			9/30/2023	19,456
			10/31/2023	17,334
			11/30/2023	26,424
			12/31/2023	21,457
	AWWSC Services - Other Benefits OPEX Total			$246,277
53401400	AWWSC Services - Contracted Services OPEX	Service Company Bill	1/31/2023	$50,580
			2/28/2023	57,254
			3/31/2023	57,669
			4/30/2023	56,443
			5/31/2023	67,355
			6/30/2023	58,449
			7/31/2023	58,416
			8/31/2023	54,697
			9/30/2023	56,936
			10/31/2023	61,124
			11/30/2023	65,433
			12/31/2023	96,889
	AWWSC Services - Contracted Services OPEX Total			$741,245

Tennessee American Water
Minimum Filing Guidelines
Question 014 - 2023 Service Company charges

GL Account	Account Description	Explanation	Ledger Date	2023 Amount
53401500	AWWSC Services - Office Supplies OPEX	Service Company Bill	1/31/2023	$30,583
			2/28/2023	32,572
			3/31/2023	26,297
			4/30/2023	25,488
			5/31/2023	33,314
			6/30/2023	39,294
			7/31/2023	32,353
			8/31/2023	30,125
			9/30/2023	32,607
			10/31/2023	38,156
			11/30/2023	35,439
			12/31/2023	49,648
	AWWSC Services - Office Supplies OPEX Total			$405,876
53401700	AWWSC Services - Rents OPEX	Service Company Bill	1/31/2023	$11,180
			2/28/2023	10,316
			3/31/2023	10,960
			4/30/2023	8,249
			5/31/2023	9,863
			6/30/2023	10,212
			7/31/2023	10,039
			8/31/2023	10,783
			9/30/2023	10,788
			10/31/2023	11,304
			11/30/2023	10,467
			12/31/2023	11,325
	AWWSC Services - Rents OPEX Total			$125,486
53401800	AWWSC Services Customer Accounting OPEX	Service Company Bill	1/31/2023	$91,985
			2/28/2023	89,287
			3/31/2023	99,306
			4/30/2023	80,274
			5/31/2023	91,391
			6/30/2023	86,790
			7/31/2023	92,155
			8/31/2023	97,032
			9/30/2023	83,394
			10/31/2023	91,273
			11/30/2023	89,625
			12/31/2023	79,209
	AWWSC Services Customer Accounting OPEX Total			$1,071,722
53401900	AWWSC Services - Maint Supplies & Svcs OPEX	Service Company Bill	1/31/2023	$29,538
			2/28/2023	25,457
			3/31/2023	30,735
			4/30/2023	31,810
			5/31/2023	30,608
			6/30/2023	24,207
			7/31/2023	30,939
			8/31/2023	31,474
			9/30/2023	31,156
			10/31/2023	29,536
			11/30/2023	32,144
			12/31/2023	34,757
	AWWSC Services - Maint Supplies & Svcs OPEX Total			$362,360
53402100	AWWSC Services - Other O&M Expense OPEX	Service Company Bill	1/31/2023	$29,747
			2/28/2023	31,761
			3/31/2023	32,059
			4/30/2023	32,174
			5/31/2023	31,747
			6/30/2023	30,712
			7/31/2023	28,373
			8/31/2023	31,798
			9/30/2023	28,863
			10/31/2023	37,944
			11/30/2023	31,445
			12/31/2023	39,848
	AWWSC Services - Other O&M Expense OPEX Total			$386,471

Tennessee American Water
Minimum Filing Guidelines
Question 014 - 2023 Service Company charges

GL Account	Account Description	Explanation	Ledger Date	2023 Amount
53402200	AWWSC Services - Depr & Amort OPEX	Service Company Bill	1/31/2023	$29,452
			2/28/2023	28,886
			3/31/2023	39,614
			4/30/2023	28,610
			5/31/2023	32,260
			6/30/2023	35,368
			7/31/2023	32,010
			8/31/2023	28,298
			9/30/2023	30,280
			10/31/2023	26,055
			11/30/2023	38,029
			12/31/2023	31,675
	AWWSC Services - Depr & Amort OPEX Total			$380,539
53402300	AWWSC Services - General Taxes OPEX	Service Company Bill	1/31/2023	$28,642
			2/28/2023	57,159
			3/31/2023	12,298
			4/30/2023	19,060
			5/31/2023	22,055
			6/30/2023	15,257
			7/31/2023	18,893
			8/31/2023	19,182
			9/30/2023	17,288
			10/31/2023	17,968
			11/30/2023	16,704
			12/31/2023	15,592
	AWWSC Services - General Taxes OPEX Total			$260,099
53402400	AWWSC Services - Net Interest OPEX	Service Company Bill	1/31/2023	($8,965)
			2/28/2023	(8,491)
			3/31/2023	(7,034)
			4/30/2023	1,597
			5/31/2023	(21,377)
			6/30/2023	(13,238)
			7/31/2023	(7,345)
			8/31/2023	(1,922)
			9/30/2023	(686)
			10/31/2023	4,009
			11/30/2023	(838)
			12/31/2023	29,386
	AWWSC Services - Net Interest OPEX Total			($34,903)
53402600	AWWSC Services - Income Taxes OPEX	Service Company Bill	1/31/2023	$497
			2/28/2023	730
			3/31/2023	627
			4/30/2023	645
			5/31/2023	645
			6/30/2023	646
			7/31/2023	646
			8/31/2023	645
			9/30/2023	646
			10/31/2023	645
			11/30/2023	645
			12/31/2023	(12,617)
	AWWSC Services - Income Taxes OPEX Total			($5,599)
Service Company Total - 2023				**$8,075,310**

Tennessee American Water Company
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Responsible Witness: Grady Stout

Question 015

Provide a list of TAWC's customer service initiatives, and performance measures, including a description and analysis of the effectiveness of each for the last two (2) years. If applicable, the analysis should include, but not be limited to, time to connect the customer to the system, response time to service inquiries, restoring of service, new meter installations, billing inquiries, meeting appointment times, etc. If you have identified other areas that you monitor, include them in this response.

Response:

Please see the attached Report on Field Service Operations.

Tennessee American Water
Report on Field Service Operations

Service Metric		January	February	March	April	May	June	July	August	September	October	November	December
Number of Service Orders Worked Monthly	2021	6,837	6,960	8,036	8,479	9,035	7,157	7,121	7,339	6,851	7,206	6,805	5,985
	2022	6,719	6,520	8,347	8,188	7,281	7,794	7,887	9,064	8,013	8,063	6,581	6,285
	2023	7,632	7,590	8,450	6,828	8,764	8,252	7,526	10,256	12,734	12,572	8,447	6,447
Appointments-% appointment orders on time	2021	99.79%	99.57%	99.51%	99.05%	99.68%	99.79%	99.83%	99.15%	99.17%	99.38%	99.77%	97.81%
	2022	99.56%	99.67%	99.76%	99.35%	99.66%	99.04%	97.56%	98.40%	99.10%	98.59%	98.95%	98.10%
	2023	99.31%	99.15%	98.93%	99.35%	99.01%	99.10%	98.55%	97.87%	97.98%	96.78%	97.90%	98.39%
# appointments missed	2021	3	8	11	21	7	5	4	20	18	13	5	42
	2022	8	6	5	15	8	22	55	40	20	33	22	40
	2023	14	17	25	13	25	24	33	55	47	80	45	30
# of water nonpay shutoffs	2021	741	468	697	619	464	666	767	521	480	667	527	575
	2022	530	465	671	668	683	566	814	723	718	585	498	481
	2023	471	506	725	725	423	434	517	634	635	683	676	805
# water turn on's after nonpay	2021	611	416	514	482	439	369	522	537	457	542	488	470
	2022	351	412	586	498	536	480	474	548	493	539	436	240
	2023	532	260	596	392	461	346	362	467	498	636	542	415
# of sewer shut offs	2021	400	1234	1099	804	535	982	693	855	835	801	676	442
	2022	763	863	828	897	570	1123	809	1139	781	929	527	339
	2023	1030	962	927	697	983	956	747	1151	1151	1203	494	467
# of sewer turn ons after nonpay sewer	2021	303	821	1046	709	571	717	638	705	622	762	656	461
	2022	459	814	977	830	598	619	711	987	796	813	656	440
	2023	626	884	883	581	900	911	705	1093	792	857	574	457
# inactive with consumption orders	2021	263	217	236	191	71	214	289	331	247	206	257	253
	2022	205	242	363	680	543	444	254	570	479	320	367	340
	2023	500	318	225	319	518	387	385	284	328	424	301	304
# of zero orders (meters with 0 consumption for at least 3 months	2021	121	159	118	111	92	168	208	189	233	181	199	173
	2022	130	241	156	464	335	404	493	512	659	292	268	214
	2023	250	279	240	302	246	631	362	379	298	230	225	232

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Responsible Witness: Robert Prendergast

Question 016

Please provide support for **all** statistics referenced in all testimony filed by TAWC in this case.

Response:

All statistics are supported in the testimony and exhibits that are being provided electronically. The workpapers supporting the Company's direct testimony are being provided in response to MFG Q012.

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Responsible Witness: Heath Brooks

Question 017

REVENUES

Identify TAWC's twenty-five (25) largest customers, based on volumes delivered, for the latest fiscal year. If TAWC projects a material change in the volumes delivered or rates charged to any such customer, provide a mailing address, contact person, telephone number, and the following information for each customer:

a. Transportation and sales volumes by tariff and by month for the last three (3) fiscal years for each customer, including the step volume information for the appropriate classification.

b. Copies of all correspondence and notes of discussion or meetings with these customers regarding their anticipated usage from the test period through the attrition period.

Response:

MFG Q017: Confidential Attachments Filed Under Seal.

Tennessee American Water Company
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Responsible Witness: Heath Brooks

Question 018

REVENUES

Provide the number of TAWC's customers by rate classification and by month for the last three (3) fiscal years. Provide a summary schedule showing the number of days in each billing cycle for each month for the latest 18 months. Provide computer files for this information.

Response:

Please see 2024 TAWC MFG Q018_Attachment.

Year	Month	Residential	Commercial	Industrial	Public Authority	Sales For Resale	Fire
2021	1	71,028	8,473	109	688	4	1,855
2021	2	71,050	8,475	109	691	4	1,890
2021	3	71,208	8,484	109	697	4	1,928
2021	4	71,516	8,519	109	692	4	1,954
2021	5	71,620	8,545	109	692	4	1,964
2021	6	71,825	8,580	109	692	4	1,980
2021	7	71,905	8,575	110	690	4	1,987
2021	8	72,073	8,605	110	689	4	2,005
2021	9	72,066	8,604	109	691	4	2,011
2021	10	71,955	8,596	109	697	4	2,014
2021	11	71,932	8,584	108	700	4	2,020
2021	12	71,844	8,578	108	697	4	2,028
2022	1	71,899	8,563	108	701	4	2,036
2022	2	71,923	8,557	107	702	4	2,048
2022	3	72,095	8,590	108	703	4	2,074
2022	4	72,336	8,606	108	704	4	2,116
2022	5	72,679	8,634	107	703	4	2,192
2022	6	72,989	8,653	107	704	4	2,215
2022	7	73,038	8,643	106	703	4	2,238
2022	8	73,140	8,632	106	702	4	2,251
2022	9	73,422	8,661	106	684	4	2,282
2022	10	73,425	8,653	107	688	4	2,301
2022	11	73,397	8,630	106	684	5	2,338
2022	12	73,455	8,637	106	682	5	2,384
2023	1	73,500	8,651	109	689	5	2,438
2023	2	73,562	8,637	108	693	5	2,463
2023	3	73,758	8,628	109	693	5	2,496
2023	4	73,901	8,654	108	691	5	2,542
2023	5	74,151	8,688	107	693	5	2,568
2023	6	74,480	8,726	108	693	5	2,603
2023	7	74,661	8,722	106	693	5	2,633
2023	8	74,805	8,714	108	694	5	2,652
2023	9	74,819	8,711	108	694	5	2,683
2023	10	74,936	8,723	109	694	5	2,698
2023	11	74,936	8,730	109	694	5	2,726
2023	12	74,854	8,699	109	691	5	2,741

Company code		Fiscal year/period	No. ContrMths Billed	No. of days	Average Days Billed
1026	Tennessee-American Water	AW/007/2022	91,200.481	2,779,967.0	30.48
		AW/008/2022	76,939.370	2,384,883.0	31.00
		AW/009/2022	91,219.867	2,783,593.0	30.52
		AW/010/2022	81,711.531	2,493,183.0	30.51
		AW/011/2022	81,180.554	2,477,779.0	30.52
		AW/012/2022	84,921.534	2,587,614.0	30.47
		AW/001/2023	83,398.741	2,584,935.0	30.99
		AW/002/2023	82,682.399	2,452,247.0	29.66
		AW/003/2023	88,421.191	2,599,837.0	29.40
		AW/004/2023	80,203.988	2,448,464.0	30.53
		AW/005/2023	83,542.614	2,543,014.0	30.44
		AW/006/2023	88,912.944	2,715,705.0	30.54
		AW/007/2023	88,547.238	2,700,183.0	30.49
		AW/008/2023	86,268.786	2,673,886.0	30.99
		AW/009/2023	84,768.465	2,584,370.0	30.49
		AW/010/2023	84,732.440	2,584,641.0	30.50
		AW/011/2023	78,663.122	2,402,883.0	30.55
		AW/012/2023	87,275.452	2,655,314.0	30.42

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Responsible Witness: Heath Brooks

Question 019

REVENUES

Provide a list of TAWC's customers who have changed rate classes in the test period. Show the schedule movement and any adjustments you have made to the bills and usage for the attrition period. Provide the number of net additions by customer classification and by month for the latest 24 months.

Response:

Please see 2024 TAWC MFG Q019_Attachment for a listing of TAWC's customers who have changed rate classes in the test period. No adjustments were made to the test period. Customers are reflected in the Company's forecast model under their new classification. Please see 2024 TAWC MFG Q019_Attachment for the number of net changes by customer classification and by month for 2022 & 2023.

Contract acct	Prior Rate class	Current Rate class
210015335635	Commercial	OPA
210015831416	Commercial	Industrial
210016381433	Residential	Commercial
210016507501	Commercial	Industrial
210016607463	Residential	Commercial
210016753229	Residential	Commercial
210017050664	Residential	Commercial
210017346914	Commercial	Residential
210038311328	Commercial	Residential
210042400326	Commercial	Residential
210045044701	Residential	Commercial
210046145348	Commercial	Residential
210047108830	Residential	Commercial
210049239303	Commercial	Residential
210049550888	Commercial	Residential
220003485725	Residential	OPA
220007117048	Commercial	Residential
220009234352	Residential	OPA
220013730989	Commercial	Residential
220015804657	Residential	Commercial
220017775939	Commercial	OPA
220019878629	Commercial	Residential
220021206241	Residential	OPA
220021248689	Commercial	OPA
220028397650	Residential	Commercial
220028569721	Residential	Commercial
220031255387	Commercial	Industrial
220034249855	Commercial	Residential
220035058809	Commercial	Residential
220038490501	Commercial	Residential
220038496233	Industrial	Commercial
220039321479	Commercial	OPA
220039388472	Commercial	OPA
220039602406	Commercial	OPA
220039816304	OPA	Commercial

Year	Month	Residential Customer Count	Residential Customer Change	Commercial Customer Count	Commercial Customer Change	Industrial Customer Count	Industrial Customer Change	Public Authority Customer Count	Public Authority Customer Change	Sale For Resale Customer Count	Sale For Resale Customer Change
2021	12	71,844		8,578		108		697		4	
2022	1	71,899	55	8,563	(15)	108	-	701	4	4	-
2022	2	71,923	24	8,557	(6)	107	(1)	702	1	4	-
2022	3	72,095	172	8,590	33	108	1	703	1	4	-
2022	4	72,336	241	8,606	16	108	-	704	1	4	-
2022	5	72,679	343	8,634	28	107	(1)	703	(1)	4	-
2022	6	72,989	310	8,653	19	107	-	704	1	4	-
2022	7	73,038	49	8,643	(10)	106	(1)	703	(1)	4	-
2022	8	73,140	102	8,632	(11)	106	-	702	(1)	4	-
2022	9	73,422	282	8,661	29	106	-	684	(18)	4	-
2022	10	73,425	3	8,653	(8)	107	1	688	4	4	-
2022	11	73,397	(28)	8,630	(23)	106	(1)	684	(4)	5	1
2022	12	73,455	58	8,637	7	106	-	682	(2)	5	-
2023	1	73,500	45	8,651	14	109	3	689	7	5	-
2023	2	73,562	62	8,637	(14)	108	(1)	693	4	5	-
2023	3	73,758	196	8,628	(9)	109	1	693	-	5	-
2023	4	73,901	143	8,654	26	108	(1)	691	(2)	5	-
2023	5	74,151	250	8,688	34	107	(1)	693	2	5	-
2023	6	74,480	329	8,726	38	108	1	693	-	5	-
2023	7	74,661	181	8,722	(4)	106	(2)	693	-	5	-
2023	8	74,805	144	8,714	(8)	108	2	694	1	5	-
2023	9	74,819	14	8,711	(3)	108	-	694	-	5	-
2023	10	74,936	117	8,723	12	109	1	694	-	5	-
2023	11	74,936	-	8,730	7	109	-	694	-	5	-
2023	12	74,854	(82)	8,699	(31)	109	-	691	(3)	5	-

Tennessee American Water Company
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Responsible Witness: Heath Brooks

Question 020

REVENUES

Provide the number of TAWC's billing cycles per month and the identity of any specific groups of customers billed on a particular cycle.

Response:

Tennessee American Water Company has one billing cycle per month that includes 204 active meter reading groups within different regions. All water customers are billed monthly except for Private Fire Service customers that are billed in advance on a quarterly basis.

Tennessee American Water Company
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Responsible Witness: Heath Brooks

Question 021

REVENUES

Provide a copy of all weather normalization workpapers used in projecting attrition period revenues. Provide weather normalized (if applicable) water sales usage, by class of customer and supporting documentation for the test period. Provide computer files for this information.

Response:

Please refer to the following filing exhibits:

TAWC Exhibit CBR-3 – Residential Usage Model

TAWC Exhibit CBR-4 – Commercial Usage Model

TAWC Exhibit CBR-5 – Public Authorities Usage Model

Tennessee American Water Company
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Responsible Witness: Heath Brooks

Question 022

REVENUES

Provide a copy of any usage and growth trends and any adjustments used to project revenues.

Response:

Please refer to TAWC MFG Q022_Attachment for growth and usage trends utilized to project revenues in TAWC Exhibit Rev – 3 Revenue Forecast. Please also see the Direct Testimony of Company Witness Charles Rea.

Tennessee American Water Company
Docket No. 24-XXXXX
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Minimum Filing Guidelines

Responsible Witness: Heath Brooks

Question 023

REVENUES

Provide the computation of an average bill for a residential water customer under the present and proposed rate schedules.

Response:

Please refer to Petitioner's Exhibit Rev – 4: Residential Bill Comparison-HB for the requested information.

Tennessee American Water Company
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Responsible Witness: Grady Stout

Question 024

REVENUES

Provide the computation of the average cost of adding a new residential customer in Tennessee for the last three (3) fiscal years.

Response:

The below average costs include all new residential and irrigation services for TAWC.

2021 Average Cost – $2,356.99 (943 Services)

2022 Average Cost – $2,716.09 (999 Services)

2023 Average Cost – $2,574.40 (1,297 Services)

Please see: 2024 TAWC MFG Q024 Attachment

	2021	2022	2023
G Line Total Spend	$ 2,222,641.33	$ 2,713,375.73	$ 3,339,001.50
New services (fire service, irrigation, domestic water)	943	999	1297
Average	$ 2,356.99	$ 2,716.09	$ 2,574.40

Tennessee American Water Company
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Responsible Witness: Heath Brooks

Question 025

REVENUES

Provide a breakdown by source of all revenues shown as "Other Operating Revenues" for the test period and attrition period. Include the units and rates for each source.

Response:

Please refer to Petitioner's Exhibit Rev – 3: Revenue Forecast-HB for the requested information.

Tennessee American Water Company
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Responsible Witness: Heath Brooks

Question 026

REVENUES

Explain any large variances in Other Revenues between the test period and the attrition period.

Response:

There are four large variances in Other Revenues between the test period and the attrition year.

Activity	Test Period	Attrition Period	Variance
Activity Fee	$241,140	$224,355	($16,785)
New Service Fee	$0	$27,800	$27,800
Reconnection Fee Sewer	$161,715	$142,515	($19,200)
Late Payment Charge	$382,652	$436,312	$53,660

Activity fees of $15 were being applied to new service fee activity in the test period instead of the $25 new service fee proposed for the attrition year. The Company's revenue forecast reflects new service fee activity being subject to the $25 new service fee instead of the $15 Activity Fee.

Reconnection Fees related to sewer disconnection requests had a double booking of $15,240 in the test period. The activity related to the double booking is not included in calculating attrition period Reconnection Fee Sewer activity.

Late Payment Charges are calculated as a percentage of revenue. The increase in late payment fees is due to organic growth and higher projected rider revenue in the attrition period.

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Responsible Witness: Heath Brooks

Question 027

REVENUES

List all special contract customers and their usage by month during the test period. Explain any anticipated changes in usage during the attrition period.

Response:

The Company currently has the following four sales for resale special contracts: Catoosa County, Fort Oglethorpe, Signal Mountain, and Walker County. Please refer to the SFR Revenue tab in TAWC Exhibit Rev – 3 Revenue Forecast for monthly historical usage and projected monthly usage for the attrition year. The Company has utilized the contracted minimum usage to quantify attrition year usage projections under each contract. The contracts for Signal Mountain and Walker County have been recently revised, and the lower contracted minimum usage is reflected in the usage projections in the Company's revenue forecast.

Tennessee American Water Company
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Responsible Witness: Heath Brooks

Question 028

REVENUES

Provide a comparative analysis of costs for a typical residential customer using current rates. State the Company's assumptions in preparing this analysis, along with backup for those assumptions.

Response:

Please refer to Petitioner's Exhibit COS – 1: Class Cost of Service Study-HB for all cost analysis information.

Tennessee American Water Company
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Tennessee Regulatory Authority
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Responsible Witness: Robert Prendergast

Question 029

EXPENSES

For all NARUC or FERC accounts 601 through 675, show the gross and net expense after deducting salaries and wages, by month, since the lesser of (a) the last three (3) fiscal years or (b) the filing date of the last rate case. Also, provide the same information projected for the attrition year.

Response:

Please see 2024 TAWC MFG Q029_Attachment.

Tennessee American Water
MFG Q029

2024 TAWC MFG Q029_Attachment

"For all NARUC or FERC accounts 601 - 675, show the gross & net expense after deducting salaries & wages, by month for the test year and the preceding year. Also, provide the same information projected for the attrition year."

2021

	Month											
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
Accounts 601-675 Gross	$1,970,181	$1,873,922	$2,203,545	$1,860,688	$1,907,667	$2,125,479	$2,005,631	$2,014,844	$2,420,325	$1,985,297	$2,172,597	$2,548,547
Salaries & Wages	472,607	448,969	501,635	513,178	433,106	454,955	484,926	452,312	510,893	428,357	460,172	535,938
Total Acct 601-675 Less Salaries & Wages	$1,497,575	$1,424,953	$1,701,910	$1,347,510	$1,474,562	$1,670,524	$1,520,704	$1,562,532	$1,909,432	$1,556,940	$1,712,424	$2,012,609

2022

	Month											
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
Accounts 601-675 Gross	$1,552,431	$1,879,241	$2,263,679	$1,511,506	$1,836,126	$2,082,630	$1,933,693	$2,311,329	$2,145,781	$1,977,817	$2,224,577	$2,828,718
Salaries & Wages	455,587	412,752	483,015	390,824	408,388	464,649	408,580	461,452	467,713	429,822	462,851	536,965
Total Acct 601-675 Less Salaries & Wages	$1,096,844	$1,466,490	$1,780,664	$1,120,682	$1,427,738	$1,617,981	$1,525,113	$1,849,877	$1,678,068	$1,547,996	$1,761,726	$2,291,752

2023 (Test Year)

	Month											
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
Accounts 601-675 Gross	$1,777,959	$1,859,335	$2,206,486	$1,908,638	$2,038,507	$2,148,929	$2,140,802	$2,126,274	$2,218,295	$2,185,622	$2,118,268	$2,658,818
Salaries & Wages	471,609	407,920	498,051	433,620	489,867	501,966	452,457	478,292	492,863	479,266	483,903	529,847
Total Acct 601-675 Less Salaries & Wages	$1,306,350	$1,451,415	$1,708,435	$1,475,018	$1,548,640	$1,646,963	$1,688,345	$1,647,982	$1,725,432	$1,706,356	$1,634,366	$2,128,971

2025 (Attrition Year)*

	Month											
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
Accounts 601-675 Gross	$2,634,576	$2,634,576	$2,634,576	$2,634,576	$2,634,576	$2,634,576	$2,634,576	$2,634,576	$2,634,576	$2,634,576	$2,634,576	$2,634,576
Salaries & Wages	580,154	580,154	580,154	580,154	580,154	580,154	580,154	580,154	580,154	580,154	580,154	580,154
Total Acct 601-675 Less Salaries & Wages	$2,054,422	$2,054,422	$2,054,422	$2,054,422	$2,054,422	$2,054,422	$2,054,422	$2,054,422	$2,054,422	$2,054,422	$2,054,422	$2,054,422

*Attrition year was calculated in sum. Amounts here represent the sum divided by 12.

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Responsible Witness: Dominic DeGrazia

Question 030

EXPENSES

Provide detailed schedules explaining the calculation of the growth factor used to project expenses through the attrition year. Please break down the calculation between the inflation and customer growth components.

Response:

Please refer to the 2024 TAWC Rate Case - Inflation Appendix for the calculation of the growth factors for inflation related to specific expenses used to project costs through the attrition year.

No customer growth components are used to project expenses.

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Responsible Witness: Robert Prendergast

Question 031 – Public Version

EXPENSES

Provide a schedule(s) of employees for the test period, identifying them as hourly or salaried, part or full time, and the account to which their compensation is charged. Identify the regular, overtime, and total hours worked during the test period. Also, show the regular and total earnings during the test period. For those employees working only a partial year, give the dates of employment. Identify pay raises, month and percentage, from the test period through the attrition year. Where appropriate, show the allocation of compensation for such employees or appropriate employee group between states and between utility and non-utility operations. Also, indicate any anticipated changes in employment levels through the attrition period.

Response:

Confidential response filed under seal.

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Responsible Witness: Robert Prendergast

Question 032

EXPENSES

Provide a schedule showing by month, for the last two (2) fiscal years through the test period, identifying the amount and percentage of total payroll capitalized on a total Company, total TAWC, and Tennessee only basis. Provide a detailed calculation of the percentage used to capitalize payroll for the attrition period.

Response:

Please see 2024 TAWC MFG Q032_Attachment.

Capitalized Labor - 2022 through 2023

Month & Year	Capital Labor	Total Labor	Percentage
Jan-22	$191,554	$455,587	29.60%
Feb-22	220,947	412,752	34.87%
Mar-22	272,748	483,015	36.09%
Apr-22	221,863	390,824	36.21%
May-22	295,570	408,388	41.99%
Jun-22	306,554	464,649	39.75%
Jul-22	284,231	408,580	41.03%
Aug-22	237,208	461,452	33.95%
Sep-22	260,541	467,713	35.78%
Oct-22	228,783	429,822	34.74%
Nov-22	226,706	462,851	32.88%
Dec-22	232,913	536,965	30.25%
Jan-23	248,416	471,609	34.50%
Feb-23	230,654	407,920	36.12%
Mar-23	270,991	498,051	35.24%
Apr-23	222,242	433,620	33.89%
May-23	278,943	489,867	36.28%
Jun-23	275,580	501,966	35.44%
Jul-23	266,326	452,457	37.05%
Aug-23	349,774	478,292	42.24%
Sep-23	313,960	492,863	38.91%
Oct-23	278,154	479,266	36.72%
Nov-23	284,653	483,903	37.04%
Dec-23	304,006	529,847	36.46%

Tennessee American Water Company
MFG Q032

American Water Works Service Company

Capitalized Labor - 2022 through 2023

Month & Year	Capital Labor	Total Labor	Percentage
Jan-22	$0	$9,975,444	0.00%
Feb-22	0	9,546,555	0.00%
Mar-22	0	13,165,243	0.00%
Apr-22	0	9,706,645	0.00%
May-22	0	11,098,404	0.00%
Jun-22	0	16,058,155	0.00%
Jul-22	0	10,615,293	0.00%
Aug-22	0	10,819,794	0.00%
Sep-22	0	16,365,217	0.00%
Oct-22	32	10,127,381	0.00%
Nov-22	0	11,119,474	0.00%
Dec-22	0	13,574,314	0.00%
Jan-23	0	9,281,546	0.00%
Feb-23	0	10,395,753	0.00%
Mar-23	0	16,096,118	0.00%
Apr-23	0	5,429,541	0.00%
May-23	0	9,713,647	0.00%
Jun-23	0	14,197,875	0.00%
Jul-23	6,319	9,570,312	0.07%
Aug-23	(6,319)	10,227,719	-0.06%
Sep-23	16,217	12,950,654	0.13%
Oct-23	0	9,520,604	0.00%
Nov-23	(661)	10,691,611	-0.01%
Dec-23	86	14,639,435	0.00%

	31-Jan-25 **Pro Forma Exp**	31-Jan-25 **Capital**	31-Jan-25 **Total**	31-Jan-25 **% Capitalization**
Salaries & Wages				
Union				
Base Wages	$3,335,856	$1,795,095	$5,130,951	35.0%
Shift Premiums	3,961	286	4,247	6.7%
Overtime	372,703	278,238	650,941	42.7%
Subtotal: Union Salaries & Wages	$3,712,520	$2,073,619	$5,786,139	35.8%
Non-Union Hourly				
Base Wages	$964,723	$233,213	$1,197,936	19.5%
Overtime	57,614	13,129	70,743	18.6%
Subtotal: Non-Union Hourly Salaries & Wages	$1,022,337	$246,342	$1,268,679	19.4%
Non-Union Salaried				
Base Wages	$1,654,752	$1,505,282	$3,160,034	47.6%
Subtotal: Non-Union Salaried Salaries & Wages	$1,654,752	$1,505,282	$3,160,034	47.6%
Total Expensed Salaries & Wages Pro Forma	$6,389,609	$3,825,243	$10,214,852	37.45%

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Responsible Witness: Robert Prendergast

Question 033

EXPENSES

Provide a description of each type of service that employees of the Parent, Multi-state Utility, or Affiliated Utility Service Company perform for the Tennessee operations.

Response:

Please see the Service Company Agreement and description of service company functions in 2024 TAWC MFG Q033_Attachment.

13

AGREEMENT

Agreement dated January 1, 1989, between AMERICAN WATER WORKS SERVICE COMPANY, INC., a Delaware corporation (hereinafter "Service Company"), and TENNESSEE-AMERICAN WATER COMPANY, a Tennessee corporation (hereinafter "Water Company").

The background of this Agreement is that:

1. Both Service Company and Water Company are subsidiaries of American Water Works Company, Inc., a Delaware corporation (hereinafter "American").
2. Water Company has been organized for and is presently engaged in the business of providing potable water as a public utility in the State of Tennessee.
3. Service Company maintains an organization whose officers and employees are familiar with all facets of the water utility business, including the development, business and property of Water Company, and are experienced in the efficient management, financing, accounting and operation of water utility properties and the extension and improvement thereof. The officers and employees of Service Company are qualified to aid, assist and advise Water Company in its business operations through the services to be performed under this Agreement.
4. Service Company has provided administrative and operating services to Water Company for many years, the past 17 years pursuant to an agreement dated January 1,

1971. Because Water Company is of the opinion that it cannot obtain the same quality and diversification of services on a comparable economic basis elsewhere, it proposes to enter into a new agreement with Service Company more specifically defining the types of services available to it.

5. Service Company has entered or proposes to enter into agreements similar to this agreement with other affiliated water companies (hereinafter collectively "Water Companies").

6. The services to be rendered under this agreement are to be rendered by Service Company to Water Companies at their cost to Service Company, as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the Water Company and Service Company agree that:

ARTICLE 1. PERSONNEL AND SERVICES TO BE PROVIDED

1.1 During the term of this agreement and upon the terms and conditions hereinafter set forth, Service Company shall provide corporate guidance for Water Company. In addition to the guidance provided by the officers and employees of Service Company through the coordination of functional activities for all subsidiaries of American, the officers and employees of Service Company shall furnish and Water Company shall purchase from Service Company, the following services: Accounting, Administration, Communication, Corporate Secretarial, Engineering, Financial, Human Resources,

Information Systems, Operation, Rates and Revenue, Risk Management and Water Quality, together with such other services as Water Company and Service Company may agree; provided, however, that Water Company may perform the service with its own personnel or engage another company or person to provide those services on its behalf. Service Company by mutual consent may engage another Company or person to provide such services on its behalf.

1.2 Service Company shall employ qualified officers and employees and those persons shall be available for election by Water Company to serve as officers of Water Company.

1.3 Without limitation, services to be provided by the Service Company shall be rendered as follows:

A. Accounting: Service Company shall assist in the preparation and implementation of accounting methods and procedures to determine that they conform fully to the requirements, rules and regulations of governmental authorities having jurisdiction and review Water Company's monthly financial reports, annual reports and other reports to stockholders and to any governmental authorities. It shall advise and assist in the establishment and maintenance of current record keeping techniques; review accounting procedures, methods and forms; and evaluate systems of internal control for receipt and disbursement of funds, materials and supplies, and other assets. Service Company shall maintain accounting records as required by Water Company. When appropriate, Service Company shall cooperate and consult with Water Company's independent certified public accountants.

Service Company shall assist in the preparation of operating and construction budgets and monitor the control over such budgets by comparing experienced costs to the projections.

Service Company shall prepare or assist in the preparation of federal, state and local tax returns for and to the extent required by Water Company.

B. **Administration**: Service Company shall make qualified employees available to perform or assist in the performance of Water Company's corporate activities. Those employees shall keep themselves informed on all aspects of Water Company's operations and shall regularly visit Water Company's facilities. They shall make recommendations to Water Company for operating expenditures and for additions to and improvements of property, plant and equipment. They shall keep abreast of economic, regulatory, governmental and operational developments and conditions that may affect Water Company; and advise Water Company of any such developments and conditions to the extent that they may be important to Water Company. Service Company shall provide an internal audit staff for periodic audits of accounts, records, policies and procedures of Water Company and submit reports thereon.

C. **Communications**: Service Company shall recommend procedures to promote satisfactory relations with employees, customers, communities and the general public and assist in the preparation of communication materials, (including press releases, brochures, audio visual presentations and speeches) plant tours, public exhibits and displays and other related services to inform the public.

D. **Corporate Secretarial**: Service Company shall maintain, in such places and manner as may be required by applicable law, documents of Water Company, such as minute books, charters, by-laws, contracts, deeds and other corporate records, and shall administer an orderly program of records retention. It shall maintain, or arrange for the maintenance of, records of stockholders of Water Company, prepare or arrange for the preparation of stock certificates, perform duties relating to the transfer of stock and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and the minutes thereof.

Service Company shall review and may assist in the preparation of documents and reports required by Water Company such as deeds, easements, contracts, charters, franchises, trust indentures and regulatory reports and filings.

E. **Engineering**: Service Company shall advise, and provide engineering services to assist Water Company in planning for, operating, maintaining and constructing its facilities.

It shall conduct distribution system surveys and hydraulic analyses and prepare or review maps, charts, operating statistics, reports and other pertinent data.

It shall assist Water Company in the proper maintenance and protection of Water Company properties by periodic inspection of its structures, tanks, reservoirs, dams, wells and electrical and mechanical equipment.

The engineering services provided by Service Company shall also include the conduct of field investigations as necessary to

obtain engineering information and, when required, the preparation of studies, reports, designs, drawings, cost estimates, specifications, and contracts for the construction of additions to or improvements of Water Company's source of supply, treatment plant, pumping stations, distribution system, and such other facilities as Water Company may request. Service Company shall provide a Materials Management Program to arrange for the purchase of equipment, materials, and supplies in volume on a basis advantageous to Water Company and assist in the evaluation of new and existing products and application procedures.

F. **Financial**: Service Company shall assist in the development and implementation of financing programs for Water Company, including the furnishing of advice from time to time on securities market conditions and the form and timing of financing; advise concerning arrangements for the sale of its securities; and assist in the preparation of necessary papers, documents, registration statements, prospectuses, petitions, applications and declarations. It shall prepare reports to be filed with, and reply to inquiries made by, security holders and bond and mortgage trustees.

Service Company shall assist Water Company in cash management including arrangements for bank credit lines, establishment of collection policies, and development of temporary investment programs.

Service Company shall provide assistance to Water Company in the preparation of all financial reports.

G. **Human Resources**: Service Company shall assist in obtaining qualified personnel for Water Company; in establishing appropriate rates of pay for those employees; and in negotiating with bargaining units representing Water Company employees. It shall carry out training programs for the development of personnel and advise and assist Water Company regarding personnel. It shall also advise and assist Water Company in regard to group employee insurance, pension and benefit plans and in the drafting or revising of those plans when required. It will keep Water Company apprised of all employment laws and develop procedures and controls to assure compliance.

H. **Information Systems**: Service Company shall make available to Water Company electronic data processing services. Those services shall include customer billing and accounting, preparation of financial statements and other reports including those required by Federal and State agencies.

I. **Operation**: Service Company shall develop and assist in the implementation of operating procedures to promote the efficient and economic operation of Water Company. Periodic operational reviews will be performed by Service Company personnel and any deviations from adopted procedures will be reported to Water Company.

J. **Rates and Revenue**: Service Company personnel shall make recommendations for changes in rates, rules and regulations and shall assist Water Company in the conduct of proceedings before, and in its compliance with the rulings of, regulatory bodies having jurisdiction over its operation. These personnel

shall keep abreast of economic and regulatory developments and conditions that may affect Water Company; and advise Water Company of any such developments and conditions to the extent that they may be important to Water Company. Rates and Revenue personnel shall assist in the preparation of rate filings or applications and the supporting documents and exhibits requested or required by the Water Company and their respective regulatory commissions. Service Company shall also provide qualified personnel to testify on Water Company's behalf as required during any regulatory proceedings.

K. **Risk Management**: Service Company shall provide a Risk Management Program to review the exposures to accidental loss of the Water Company, recommend efficient methods of protection either through the purchase of insurance, self-insurance or other risk management techniques and arrange for the purchase of insurance coverage. It shall also supervise investigation procedures; review claims; and negotiate and assist in, and evaluate proposals for, settlement at the request of Water Company. It shall assist in the establishment of safety and security programs to avoid or minimize risk and loss.

L. **Water Quality**: Service Company shall assist Water Company to comply with standards of governmental agencies and establish and attain water quality objectives of the Water Company. It shall assist in providing design criteria for processes, coordinating with public agencies, developing approaches and solutions to water quality problems, and providing

technical assistance and general direction for Water Company personnel.

It shall also provide laboratory services for programmed analyses as required by drinking water regulations, and special analyses as required by Water Company.

ARTICLE II. PAYMENT FOR SERVICES

2.1 In consideration for the services to be rendered by Service Company as hereinabove provided, Water Company agrees to pay to Service Company the cost thereof determined as provided in this Article II and in Article III.

2.2 All costs of service rendered by Service Company personnel for Water Company or in common with other Water Companies shall be charged to Water Company based on actual time spent by those personnel as reflected in their daily time sheets or other mutually acceptable means of determination.

2.3 All costs of Service Company incurred in connection with services rendered by Service Company which can be identified and related exclusively to Water Company, shall be charged directly to Water Company.

2.4 All costs incurred in rendering services to Water Company in common with similar services to other Water Companies which cannot be identified and related exclusively to services rendered to a particular Water Company, shall be allocated among all Water Companies so served, or, in the case of costs incurred with respect to services rendered to a particular group of Water

Companies, among the members of such group, based on the number of customers served at the immediately preceding calendar year end.

2.5 Cost for support personnel (secretaries, clerical personnel, clerks, messengers, telephone operators, mail clerks, and other incidental support personnel of the Service Company) as well as the cost of lease payments, depreciation, utilities and other costs associated with leasing office space and equipment by Service Company shall be allocated among the Water Companies on the basis of the proportion of the aggregate cost allocated under Sections 2.3 and 2.4.

ARTICLE III. ALLOWANCE FOR OVERHEAD

3.1 In determining the cost to be assessed by Service Company for the rendering of services to Water Company as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead of Service Company, as defined below, properly allocable thereto. Such percentage shall be calculated each month and shall be the ratio of the total general overhead of the Service Company for the month to the total salaries of the employees for whose service charges are to be made to the Water Companies. No general overhead of Service Company shall be added to costs incurred for services of non-affiliated consultants employed by Service Company.

3.2 The term "general overhead" shall include:

(a) pension and insurance premiums paid for the benefit of Service Company employees,

(b) legal and other fees for services rendered to the Service Company,

(c) taxes,

(d) other general office supplies and other similar expenses, and

(e) interest on working capital.

ARTICLE IV. BILLING PROCEDURES AND BOOKS AND RECORDS

4.1 As soon as practicable after the last day of each month, Service Company shall render a bill to Water Company for all amounts due from Water Company for services and expenses for such month plus an amount equal to the estimated cost of such services and expenses for the current month, all computed pursuant to Articles II and III. Such bill shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall reflect the credit for payments made on the estimated portion of the prior bill and shall be paid by Water Company within a reasonable time after receipt of the bill therefore.

4.2 Service Company agrees to keep its books and records available at all times for inspection by representatives of Water Company or by regulatory bodies having jurisdiction over Water Company.

4.3 Service Company shall at any time, upon request of Water Company, furnish any and all information required by Water Company with respect to the services rendered by Service Company

hereunder, the costs thereof, and the allocation of such costs among Water Companies.

ARTICLE V. OTHER AGREEMENTS

5.1 It is understood by Water Company that Service Company has entered or may enter into similar agreements with other Water Companies that are affiliated with American to which similar services are to be furnished. Service Company will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

5.2 It is understood by Water Company that Service Company has entered or may enter into an agreement or agreements with American and certain other companies not engaged in the water or sewer service business to which limited services are to be furnished; Water Company consents to such additional agreements, provided, however, that no part of the cost of furnishing such services will be charged to Water Company.

ARTICLE VI. TERM OF AGREEMENT

This agreement shall become effective as of the later of (a) the date first mentioned above or (b) the date the parties receive the last of any necessary approvals of governmental regulatory agencies having jurisdiction in the premises. Upon becoming effective, this agreement shall be the sole agreement between the parties concerning the subject matter hereof and shall supersede all prior agreements, written or oral, including the agreement dated January 1, 1971, which shall terminate on the date this

agreement becomes effective. This agreement shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety day's notice in writing; provided, however, that this agreement shall terminate as of the date Water Company or Service Company ceases to be an affiliate of American.

IN WITNESS WHEREOF, Service Company and Water Company have caused this agreement to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and impressed with their respective corporate seals attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

ATTEST:

AMERICAN WATER WORKS SERVICE COMPANY, INC.

By _____
President

ATTEST:

Stephen N. Chambers

TENNESSEE-AMERICAN WATER COMPANY

By _____
President

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Robert Prendergast

Question 034

EXPENSES

Provide copies of the latest labor union contracts for TAWC.

Response:

Please see 2024 TAWC MFG Q034_Attachment, which is the latest negotiated union contract applicable from 2017 through 2024.

AGREEMENT

TENNESSEE-AMERICAN WATER COMPANY

AND

UTILITY WORKERS UNION OF AMERICA

LOCAL 121

A.F.L.-C.I.O.

May 22, 2017 - May 21, 2022

Uniforms/Boots

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AGREEMENT

Contract made and entered into as of 22nd day of May, 2017 by and between the TENNESSEE-AMERICAN WATER COMPANY and its successors in corporate existence, party of the first part, hereinafter usually referred to as the "Company" and UTILITY WORKERS UNION OF AMERICA, LOCAL 121, affiliated with the A.F.L.-C.I.O., its successors and assigns, party of the second part, hereinafter usually referred to as the "Union" acting for itself and as the representative of employees of the Company in the Bargaining Unit:

WITNESSETH:

The Company and the Union, in consideration of the obligations hereinafter set forth by each of the parties to be kept and performed, do hereby agree as follows:

ARTICLE 1
RECOGNITION AND REPRESENTATION

The Bargaining Unit shall consist of all employees falling into the following described category:

1. The Union is hereby recognized and accepted by the Company as the sole and exclusive bargaining agency for all employees of the Company, excepting employees engaged as auto mechanics, reservoir men, caretakers, watchmen, foremen, supervisors or executives, supervisor of the Outside Commercial Department, confidential secretaries, and all supervisors and professional employees, and the Company agrees that it will negotiate with the accredited representatives of the Union as the representative of employees of the Company in the Bargaining Unit represented.

It is respectfully understood and agreed that the bargaining unit named above shall be covered by this contract between Tennessee-American Water Company and Local121 of the Utility Workers Union of America, affiliated with the A.F.L.-C.I.O. and Local121-A of the Utility Workers Union of America, affiliated with the A.F.L.-C.I.O.

DISCRIMINATION

It is recognized by the parties herein that the Company is an Equal Opportunity Employer whose employment policies and personnel practices are such as to insure that all employees and individuals, including disabled individuals and disabled veterans and veterans of the Vietnam era, are treated equally and that recruiting, hiring, training and promoting persons in all job classifications shall be done without regard to race, color, age, religion, national origin, qualifying disability, or sex; that decisions on employment shall be made so as to further the principle of equal employment opportunity; that decisions with regard to promotion are in accord with principles of equal employment opportunities; that all personnel actions, such as compensations, benefits, transfer, layoffs, return from layoff, Company sponsored training, education tuition assistance, social and recreation programs will be administered without regard to race, color, age, religion, national origin, qualifying disability, or sex.

In all sections of this Contract, any reference to gender shall mean either sex. The Company agrees that there shall be no interference with the right of employees covered by the terms of this contract to become a member of the Union and that there shall be no discrimination by the Company or its agents against any employee because of his/her membership in the Union.

ARTICLE 2
NO STRIKE OR LOCKOUT

In furtherance of harmonious relations among employees, the management and the public, it is mutually agreed by the parties hereto that there shall be no lockout, strike, work stoppage or intentional slowdown during the term of the Agreement, and this mutual Agreement shall continue through the future relations between the parties hereto and it is agreed that all matters of dispute shall be settled by arbitration, as herein provided. However, there shall be no liability on the part of the Union for any strike, work stoppage or intentional slowdown when such strike, work stoppage or intentional slowdown is not authorized by the Union; and when, in addition, duly authorized officers of the Local Union shall within five (5) hours after notification by the Company sign and cause to be posted in prominent places within the offices or plant of the Water Company, a notice that the strike, work stoppage or intentional slowdown was not authorized by the Local Union and directing all employees to return to their respective jobs promptly or to cease any action which may adversely affect any operation of the Company. The Company shall have authority to discipline any employee or employees engaged in any unauthorized strike, work stoppage, or intentional slowdown.

ARTICLE 3
ADJUSTMENT PROCEDURES

In recognition of the fact that the Company and its employees represented by the Union have a mutual responsibility to the public which requires that disagreements arising between the employees and the management be settled in an orderly way without interruption to water service, it is agreed that differences which may arise between the employees and the management of the nature of those mentioned in the various sections of this Article 3 below shall be adjusted, in accordance with the provisions of the succeeding sections of this Article.

Any disagreement, dispute or grievance which shall arise between the Union or the employees and the Company with respect to the interpretation or application of any of the terms or provisions of this Contract shall be, during the term of this Contract, settled by the following procedure:

A Such disagreement, dispute or grievance with respect to the interpretation or application of any of the terms or provisions of this Contract must be submitted within ten (10) working days of the occurrence of such disagreement, dispute, or grievance by the employee to his immediate supervisor.

Step 1: Disagreements, disputes or grievances may be adjusted by direct contact between the employee and/or through his/her Union representative and the employee's immediate supervisor.

Step 2: However, if the disagreement, dispute or grievance cannot be resolved at this level within five (5) working days, it may be submitted in writing to the department head. At this step, the employee may be accompanied by a Union representative and the department head may be accompanied by the supervisor.

Step 3: If the grievance is not settled, the matter shall be referred in writing to the senior ranking official or designated representative within ten (10) working days of the denial. The senior ranking official or designated representative shall give a reply in writing within ten (10) days of the receipt of the grievance.

Step 4: If the matter is not resolved within five (5) working days, it may be submitted to a joint conference committee consisting of a maximum of five (5) members for the Company and five (5) members for the Union. One of the members from the Company must be an officer of the Company or a designated representative, and one (1) of the members of the Union must be a National representative or a designated representative. If still not resolved within five (5) working days, the matter shall, upon request, be submitted to arbitration as provided in the next paragraph of this section.

When a grievance has been reduced to writing and submitted to a department head, as provided for in the second step of the grievance procedure described above, the grievance may be discussed as provided herein by the department head, or with the mutual consent of the Company and the Union, be advanced to the next step of the grievance procedure.

3. (B): Within thirty (30) days of receipt of the answer from the Human Resources Manager or next level manager, the Union shall notify the Company in writing their intent to Arbitrate. The Union will then file a request for a panel of arbitrators with the Federal Mediation and Conciliation Service with notice to the Company. The request for a panel of arbitrators shall specify that a list of seven (7) arbitrators, all of whom are members of the National Academy of Arbitrators, shall be provided to the parties. Within ten (10) days of receipt of the list, either party may request the Federal Mediation and Conciliation Service to provide the parties a second list of arbitrators, also composed of seven (7) persons who are members of the National Academy of Arbitrators. If a second list is requested, selection of an arbitrator shall be made as hereinafter set forth from the second list. If no second list is requested, selection of an arbitrator shall be made from the initial list so provided. Selection of an arbitrator shall be made by each party alternately striking the name of one arbitrator from the list until the name of one arbitrator remains. The last arbitrator remaining shall be the arbitrator selected to hear the grievance. If the grievance involves a matter of discipline, the Company shall first strike the name of an arbitrator from this list; otherwise the Union shall first strike the name of an arbitrator from the list. Nothing contained herein shall be construed to forbid the parties from mutually agreeing to the selection of an arbitrator between them, so long as the time limitations of this section are complied with or waived.

The Arbitration Hearing shall be scheduled with all reasonable dispatch and the Arbitrator shall render his/her decision within thirty (30) days after the close of the hearings, and such decision shall be final and binding upon both parties. The Arbitrator shall have no authority to add to, subtract from, alter or modify the terms of this Agreement and the expense of the Arbitrator shall be shared equally by the parties. The arbitration hearing shall be held at a mutual agreeable location and the hearing room accommodations shall be shared equally by the parties.

It is expressly understood that the time limitations set forth in this Agreement are of the essence and may only be waived in writing signed by a representative of each of the parties.

ARTICLE 4
WAGES AND HOURS

Rates

Employees shall be paid in accordance with the designated classifications at the following hourly rates.

1.1 Production department and Water Quality Department

Production department and Water Quality Department	2017	2018	2019	2020	2021
Process Technician	$31.00	$31.77	$32.56	$33.38	$34.13
Laboratory Worker 03/06/2023 not a current position	$25.42	$26.05	$26.70	$27.37	$27.99
Laborer/Relief Process Technician	$27.14	$27.82	$28.52	$29.23	$29.89
Laborer/Process Technician Apprentice	$25.65	$26.29	$26.94	$27.62	$28.24
Maintenance Mechanic	$29.65	$30.39	$31.15	$31.93	$32.65
Master Maintenance Mechanic	$30.77	$31.54	$32.33	$33.14	$33.88
Production Clerk	$25.36	$26.00	$26.65	$27.31	$27.93
Temporary Laborer	$11.17	$11.45	$11.74	$12.03	$12.30
Laborer	$24.60	$25.22	$25.85	$26.49	$27.09

Master Maintenance Mechanic:

The Company agrees to pay for any successfully completed training, schooling, testing, re-testing and continuing education classes, which an employee incurs in the process of earning and maintaining an operator's certification (license.) The Company also agrees to pay for the operator's certification (license) and annual fees to maintain such certification (license).

The most senior bidder must successfully pass a written certification exam within five (5) working days prior to being awarded the position.

All persons holding positions of Maintenance Mechanic will perform day shift operations and maintenance in the booster system on a weekly rotating basis as required.

The Company agrees to pay for employees to attend classes at Chattanooga State or other approved facilities to obtain the knowledge necessary for this position.

Laborers permanently assigned to Production Department and Water Quality Department shall be guaranteed an opportunity of working forty (40) hours per week.

Except for employees working the relief shift, shift employees covered by Section 1.1 shall be paid, in addition to the foregoing hourly rates, a shift premium of thirty-six cents ($0.36) per hour for all work performed between 3:00p.m. and 11:00 p.m., and a shift premium of forty-one cents ($0.41) per hour for all work performed between 11:00 p.m. and 7:00 a.m.

Employees covered by Section 1.1, when required to work the relief shift, shall be paid, in lieu of the above shift premium rates, a shift premium of thirty-six cents ($0.36) per hour for all hours worked.

1.2 Outside Commercial Department

Classification	2017	2018	2019	2020	2021
Field Representative	$27.53	$28.22	$28.93	$29.65	$30.32
Field Services	$31.13	$31.91	$32.70	$33.52	$34.28
Field Service Records Specialist	$25.36	$26.00	$26.65	$27.31	$27.93
Meter Reader	$27.09	$27.77	$28.46	$29.18	$29.83
Meter Repair	$27.29	$27.97	$28.67	$29.39	$30.05
Temporary Laborer	$12.23	$12.54	$12.85	$13.17	$13.47

Employees in the Field Services classification regularly scheduled to work the shift from 4:00p.m. to 12:30 a.m. Monday through Friday and 3:30p.m. to 12:00 a.m. Saturday and Sunday, shall be paid a shift premium of thirty-six cents ($0.36) per hour for work actually performed during this period. Personnel working the day shift who are required to work during this period shall not be entitled to the shift premium.

1.3 Distribution Department

2.5 2.5 2.5 2.2 ✱ see now

Classification	2017	2018	2019	2020	2021
Distribution Clerk	$25.36	$26.00	$26.65	$27.31	$27.93
Heavy Equipment Operator	$27.18	$27.86	$28.55	$29.27	$29.92
Temporary_ Laborer	$12.23	$12.54	$12.85	$13.17	$13.47
Truck Driver/Utility Worker ✱	$26.96	$27.63	$28.32	$29.03	$29.68
Utility Worker	$26.62	$27.29	$27.97	$28.67	$29.31

Employees occasionally required to drive trucks over 10,000 G.V.W.R. shall be paid at the applicable Truck Driver/Utility Worker rate, or their regular hourly rate, whichever is higher, during any day in which such driving of a truck is required. When it becomes necessary to use a Heavy Equipment Operator as a driver of a service truck, assignment is to be done by seniority within the section, with the most senior employee having first option.

Any employee in the classification of Truck Driver/Utility will receive a premium pay of thirty cents ($0.30) per hour when assuming the role of Utility Man.

It is agreed by the Company that when and *if* work is available, full time employees in the job classifications listed in Section 1.2 and Section 1.3 of this Article, shall be afforded an opportunity of working forty (40) hours per week, and the Company will not reduce the work week below forty (40) hours per week by hiring additional employees.

The Company shall provide work for a maximum of twenty (20) regular "Utility Workers" whenever they shall be prevented by inclement weather from performing their regular work.

1.4 Office and Clerical

Classification	2017	2018	2019	2020	2021
Drafter	$25.42	$26.05	$26.70	$27.37	$27.99
Engineering Clerk	$25.36	$26.00	$26.65	$27.31	$27.93
Temporary Worker	$10.20	$10.45	$10.71	$10.98	$11.23

Existing employees who desire to bid into one of the clerical positions must pass an assessment test identified by the Company. The most senior bidder who passes the test will be awarded the position. Employees who have passed the test that was administered by the Company will not be required to retest. Employees who remain in their current position will not be required to test. This is applicable to all clerk positions included in Article 4, Sections 1.1, 1.2, 1.3 and 1.4.

1.5 New Employees

Effective November 1, 2011 for all full time employees hired thereafter, there will be a step rate of $4.00 less than the regular rate per hour which will apply for the first year of employment with the Company for all positions other than Master Maintenance Mechanic, Process Technician, Labor/Relief Process Technician. In addition, post-hire, the Company will provide the Union with external new hire credentials for individuals hired into the Master Maintenance Mechanic, Process Technician, and Laborer/Relief Process Technician positions. An additional step rate of $1.00 less than the regular rate per hour will apply in the next year until the employee reaches the regular rate of pay. The step rate will apply to all classifications that an employee might be hired into, or bid into, if they have four years seniority or less. An employee, with four years of seniority or less who bids into another job, will receive the applicable step rate in the new positions they would have had if they had been hired into that position.

New employees will be probationary employees for a period of 90 calendar days from their date of hire. In the event the new employee fails to qualify for the position for which he/she was hired within 90 calendar days of hiring, the Company may terminate such employee at the Company's sole discretion. A probationary employee shall not have rights under or recourse to the grievance adjustment procedure as detailed under Article 3 of this Bargaining Agreement.

1.6 Promoted Employees

It is understood and agreed that when a regular employee is promoted to a job paying a higher rate of pay, such employee shall, in the new position, be paid that regular rate of pay for that position. In the event that a regular employee who has been promoted fails to qualify within the period of ninety (90) calendar days from the effective date of the promotion, for the position to which he/she has been promoted, he/she shall be returned to his/her previous position.

A regular employee who is promoted or transferred may, at his/her option, have the right to return to his/her former permanent position and any relief position held prior to bidding on a new position during the first fifteen (15) working days following such promotion or transfer, provided, however, this option may be exercised by any employee only once in a twelve (12) month period. If the employee does not elect to return to his/her former position within fifteen (15) working days, he/she shall not have the right to return to his/her former position at his/her option during the remaining probationary period or any other time thereafter except through the bidding procedure.

1.7 Employee Training

Employees who are assigned to training for the purpose of relieving in a position requiring a higher classification will be paid at the rate for the classification for which the employee is being trained.

Section 2. Overtime and Holidays

The normal work week for all shift employees performing the classes of work specified in Section 1.1 of Article 4 shall be forty-two (42) hours averaged over four (4) weeks, during three (3) of which the employee shall normally work forty (40) hours, and during one (1) of which the employee shall normally work forty-eight (48) hours. The presently followed practice of shift rotation in the continuous operating job classifications is to be continued.

The normal work week for the Master Maintenance Mechanic, Maintenance Mechanic, and Laboratory Worker in Section 1.1 shall be forty (40) hours per week.

The normal work week for employees specified in Sections 1.2, 1.3, and 1.4 shall be forty (40) hours per week.

All employees except Process Technicians shall be paid at an hourly rate of one and one-half (1-1/2) times the regular rate of pay for:

A. All time worked on Saturday;
B. All time worked in a week in excess of forty (40) hours;
C. All time worked in excess of eight (8) hours in a 24-hour period.

Process Technicians shall be paid at an hourly rate of one and one-half (1-1/2) times the regular rate of pay for:

A. All time worked in any week in excess of forty (40) hours;

B. All time worked in excess of eight (8) hours in a 24-hour period.

Employees shall not be paid both daily and weekly overtime for the same hours worked. No daily overtime shall be paid when employees, at their own request, are working extra time in order to be excused during regular shifts.

Shift employees at the Production and Water Quality Department shall not be paid overtime when changing from one shift to another.

All employees required to work on their regularly scheduled second day off shall be paid at an hourly rate of two (2) times the regular rate of pay for all time worked.

When a shift worker at Production and Water Quality Department is working his/her long week and is required to work his/her only off day, such worker shall receive double time rate.

When a Relief Process Technician is filling a temporary vacancy and a holiday falls on one of the off days while he/she is filling in, the Relief Process Technician shall receive the rate of pay for the vacancy he/she is filling.

The Company agrees to grant each regular employee three (3) Floating Holidays each calendar year beginning January 1 and ending December 31, which shall be personal days of absence with pay for eight (8) hours at his/her regular pay for each day, and said employee shall request said Floating Holidays at least one (1) week in advance, thus to permit the Company to schedule its work program. The Company shall permit the employee to divide two (2) Floating Holidays into half-hour increments. One (1) Floating Holiday shall be taken in a full day increment. The Company reserves the right to limit the number of employees absent at one time.

The following holidays will be recognized for all full time employees who have completed the ninety (90) days probationary period to the extent permitted by work requirements:

New Year's Day	Thanksgiving Day
Good Friday	Day Following Thanksgiving Day
Memorial Day	Christmas Eve
Fourth of July	Christmas Day
Labor Day	3 Floating Holidays

When any of these holidays falls on Sunday, it will be observed on the Monday following. When any of these holidays falls on Saturday, it will be observed on the preceding Friday. If Christmas Eve falls on Friday it will be observed on Thursday. If Christmas Eve falls on Saturday or Sunday it will be observed on the preceding Friday and Christmas day will be observed on the following Monday. A holiday bonus will be paid for all hours worked on the day the holiday is observed.

Regular employees whose normal scheduled hours fall on any of the named holidays will be paid, in addition to their regular pay for the day, a holiday bonus equal to the one and one- half (1-1/2) times their regular rate of pay for those scheduled hours and two (2) times their regular rate of pay for all other hours worked on said named holidays.

Regular employees, with the exception of those regular employees whose normal scheduled hours fall on any of the named holidays, when required to work on a holiday, will be paid, in addition to their regular pay for the day, a holiday bonus equal to two (2) times their regular rate of pay for all time worked on any of the named holidays.

When a holiday falls on Saturday or Sunday and is observed by the Company on Friday or Monday, as the case may be, the holiday bonus will be paid shift workers at the Production Department and Water Quality Department for time actually worked on the Saturday and Sunday that the holiday actually falls on, but shall not be paid for time worked by those employees on the Friday or Monday on which the Company observes the holiday.

Regular employees who are not required to work on a holiday shall receive their normal pay for the day.

On a holiday, the number of hours actually worked or the number of hours normally worked on such day of the week, whichever is greater, shall be counted for that day in determining an employee's eligibility for weekly overtime, except that when the holiday falls on an employee's scheduled day off, no hours will be credited for weekly overtime unless actually worked.

When a holiday occurs during a vacation period, all full time employees shall be allowed an extra day's vacation to be taken at such time as work requirements shall permit, or at the option of the employee, shall receive extra compensation equal to his regular pay for that day.

Employees who are required to work on a normally scheduled off day will not be required to take off on a normally scheduled work day to avoid payment of overtime rates.

Any employee not at work on a scheduled work day immediately preceding or following a holiday, except when such absence is due to sickness or vacation or is otherwise authorized by the Company; shall not receive pay for said holiday if no work is performed on that day, nor any premium rate for hours actually worked thereon.

Section 3. Call-Out Pay

Any employee covered by this Contract reporting to work upon order of the Company, either expressed or implied, who is not put to work on account of inclement weather, shall receive a minimum of four (4) hours pay.

Any employee covered by this Contract who is called out for work after clocking out at the close of his/her regularly scheduled hours and before the beginning of his next regularly scheduled work period, shall be paid for a minimum of four (4) hours for the hours actually worked at the appropriate rates under this Contract.

Employees who are scheduled in advance to work on an overtime basis (except as an

extension of the regular work day) will be guaranteed four (4) hours work at the appropriate rate.

Any employee who works a minimum of two (2) hours of nonscheduled overtime between the hours of eight (8) hours prior and one (1) hour prior to the start of their next regular scheduled shift, will, at the Company's discretion, be given hours off equivalent to the hours worked within the time frame described above, with pay at his/her regular rate of pay during his/her next regular scheduled shift or be paid at the rate of two (2) times his/her regular rate of pay for those equivalent hours.

Section 4. Extended Work Hours

It is the Company's intent to not require an employee to work more than sixteen (16) hours. Any employee who works sixteen (16) consecutive hours shall be granted an eight (8) hour rest period consistent with all applicable terms and conditions defined within the collective bargaining agreement.

Section 5 Payroll Week

Employees paid on an hourly basis shall be paid bi-weekly for working all straight time and overtime hours Monday through Sunday of each work week. All hours worked during the pay period shall also be paid on the following Friday after the end of the pay period.

Section 6 Meals

Employees who, without prior notice, are required to remain at work immediately following the completion of a regular work day, shall be provided with a meal allowance at the following intervals:

One (1) meal allowance at the end of the first two (2) hours of overtime.

One (1) meal allowance at the end of each four (4) hour interval thereafter during such overtime work.

Employees, who without prior notice, are called out after leaving for the day, shall be provided a meal allowance at the end of the first four (4) hours of call-out time, and at the end of each four (4) hour interval thereafter.

The meal allowance under the above paragraph is fixed at $10.50 per meal for the life of the Agreement, to be included in the employee's paycheck.

Section 7. Work by Supervisors

Except in cases of emergency and/or where it is necessary to perform work to demonstrate how the work is to be done, the Company agrees that a foreman, superintendent, or supervisor shall not perform any work covered by employees in the wage schedule.

Section 8. Sharing of Overtime

The definition of nonscheduled overtime in this context refers to overtime not worked on a regular schedule. Although an employee is scheduled in advance to work at a time he/she normally would be off, those overtime hours will be counted as nonscheduled. Pursuant to the provisions of Article 9, Section 2, the Company may use contractors in call-out situations where the Company makes a bona fide effort to call its employees to work and

cannot reach them.

The Company and the Union agree that all nonscheduled overtime in all departments, with the exception of shift workers, will be shared equally among the employees in each classification.

If overtime must be worked, it will be offered to the individual or individual's in each classification with the least amount of documented overtime, year to date, through the most recent payroll period. Employees who report to work in a relief classification shall not be penalized for hours worked as a relief. Should two employees have the same number of accumulated hours, Company-wide seniority will govern.

In the case of shift workers in the Production Department and Water Quality Department,the first opportunity to work nonscheduled overtime will be given to the employees who are on their regularly scheduled day off.

The Company shall post an overtime "sign-up" list in the Distribution Department and Outside Commercial Department on June 10 and December 10 of each calendar year. Employees who desire to work nonscheduled overtime must sign this list within ten (10) work days of the date the Company posts the list. The Company has no obligation to give nonscheduled overtime work to those employees not signing the list. At the beginning of each posting period, the Company will call employees on the overtime list for nonscheduled overtime work on the basis of their Company-wide seniority. Thereafter, the Company will call listed employees with the fewest accumulated hours of overtime work. Should two employees have the same number of accumulated hours, Company-wide seniority will govern. The Company shall only be required to make a reasonable effort to contact employees for nonscheduled overtime work. It is understood that where nonscheduled overtime work should be done by employees in a particular classification, the Company may first call listed employees in that classification who have the fewest number of accumulated overtime hours. The Company shall call these employees on the list before contacting other employees.

For all departments, except for shift workers, overtime will be accumulated from the beginning of each year. At the beginning of each new contract period, employees will begin with zero (0) overtime hours accumulated. At January 1 and June 30 of each year, accumulated overtime in all departments, except shift workers, will revert to zero (0). The Company will post a roster of overtime hours weekly in all departments.

In cases where an employee has been assigned a duty and it is necessary to work overtime to complete the assignment, that employee will be given the first opportunity to work even though his/her accumulated overtime may be more than another employee in that department and classification.

ARTICLE 5
DETAILED TERMS OF EMPLOYMENT

Section 1. Check-Off

The Company agrees to deduct each month from the wages of each employee who is a member of the Union, pursuant to written authorization from that employee, an amount equal to his/her regular Union dues.

Such deduction is to be made from the wages due for each pay period and the aggregate amounts so deducted are to be paid monthly to the Financial Secretary of the Union. The Company will send a copy of the dues report to the Local and the National Union Office.

ction 2. Company Rules

The Union agrees that its officers and members will live up to reasonable Company rules and regulations in the interest of safety, economy, and continuity of service to the public. The Company agrees there shall be no discrimination or retaliation by the Company or its agents against any employee because of his membership or activities in the Union in connection with negotiations or adjustments of grievances.

The Union agrees that its officers and members will not solicit membership in the Union among employees of the Company while employees are on duty, and will not at any time interfere with, restrain or coerce employees of the Company in attempting to influence them to be members of the Union. The Union and the Company will not engage in subterfuge for the purpose of defeating or evading provisions of this Contract.

Section 2.1 Drug and Alcohol Free Workplace Practice

The Union adopts the Drug and Alcohol Free Workplace Practice as part of the Chattanooga Local 121 Agreement. Adoption of the D&A Practice does not alter UWUA 121's non recognition of the Company's Code of Ethics or Code of Conduct Policy.

Section 3. Seniority

3.1. **Definition of Seniority:** The term, seniority, whenever used in this Contract shall mean continuous service. Continuous service shall mean employment with the Company without a loss of seniority as provided in sub-paragraph 3.6 of this section. Seniority will be applied on a company- wide basis as specified in this Contract.

3.2. **Seniority List:** The Company will prepare and have posted a Company- wide seniority roster showing the names of each employee covered by this Contract in order of their employment with the Company. The person having the greatest length of continuous service with the Company shall be listed at the head of the roster and the last person employed shall be given the last position on the roster.

3.3. **Accumulation of Seniority:** Employees shall be regarded as probationary employees for the first ninety (90) days of their employment. Such employees shall not have seniority until they have satisfactorily passed their ninety (90) day probationary period, at which time they shall be placed on the seniority lists retroactive to date of hire. Temporary employees hired for emergency work, summer work, or unusual maintenance shall have no seniority rights until permanently employed. If permanently employed, such temporary employees shall then be entitled to full credit in determining seniority rights for the period of continuous employment immediately preceding acceptance of full time employee status.

3.4. Promotions and Transfers: It is understood and agreed that in all cases of promotion or of increase or decrease or transfer of employees, length of continuous service shall govern. Promotions and transfers will be made only in the event of permanent vacancies or newly created jobs. Any employee covered by this Contract, who desires to bid for a promotion, shall bid in writing within five (5) days from the date notice of vacancy is posted. Any employee desiring to transfer from one department to another when vacancies occur, shall bid in writing within five (5) days from the date notice of vacancy is posted. It is understood that all employees bidding for promotions or transfers must be reasonably competent and qualified to fill such positions. When vacancies occur suddenly, the Company may fill such vacancies temporarily pending receipt of bids from employees covered by this Contract for a temporary period of twelve (12) working days pending decision as to which employee's bid for the vacancy is accepted. It is mutually understood and agreed by the parties hereto that because of the Company's responsibility, the management of the Company must be the judge of a worker's qualifications for promotion. However, the Company will consider Company-wide seniority insofar as practicable and consistent with proper ability to perform the services required. Should any questions arise as to the judgment of the Company in regard to promotion, it shall be settled as a grievance as provided in Article 3 hereof.

It is further agreed that once a vacancy is awarded, the affected employee will commence employment in the new position within fifteen (15) working days after the award. If the Company needs more time, the affected employee will receive the higher rate of pay, if applicable, starting within fifteen (15) working days after the award.

3.5. Lay-Off, Cutback, or Elimination or Curtailment of Job or Operation: In the event of a temporary or permanent lay-off or cutback, or the elimination or curtailment of a job or operation, employees who are affected thereby shall have the right to exercise their Company-wide seniority to displace less senior employees in their department or other departments provided, however, that any employee displacing another employee, as specified in this paragraph, must be reasonably competent and qualified to fill the new position he/she is assuming. In the new position, the employee shall be paid the regular rate of established wages for that new position which he/she is assuming. The employee must show himself/herself qualified to perform the duties required of the new position he/she is assuming within ninety (90) calendar days following his/her assumption of the new position, and in the event the employee fails to qualify for the newly assumed position within this ninety (90) day period, the Company shall notify the employee of his/her failure to qualify, and this notification of failure to qualify shall be communicated to the employee or to the Union within not more than five (5) working days following the expiration of the ninety (90) day qualification period. In the event the employee fails to qualify for the newly assumed position within the period of ninety (90) days, the

Company and the Union shall meet to determine options available as to where the affected employee may be placed so as to provide for the least possible additional displacement of employees. In recognition of the obligation to provide continuous water 'service to the public, the parties agree that no more than four (4) employees covered under Article 4, Section 1, Subsection 1.4 will be permitted to bump into classifications covered under Article 4, Section 1, Subsection 1.1, 1.2, and 1.3. Likewise, it is agreed that no more than four (4) employees covered under Article 4, Section 1, Subsection 1.1, 1.2, and 1.3, will be permitted to bump into classifications covered under Article 4, Section 1, Subsection 1.4; provided, however, these restrictions will not limit the number of employees previously qualified for the classification into which they desire to bump from exercising their bumping privileges. If, after a lay-off, cutback, or elimination of job or operation, a job vacancy occurs, such job will be available on a Company-wide seniority basis to employees who formerly held that job. Employees who are laid off shall be recalled in the inverse order of their lay-off. Notifications of openings for re-employment shall be given by the Company to the last mailing address furnished by the employee, by registered or certified mail. A copy of such notice shall also be given to the Union. Within five (5) working days after the date of such notice, the laid-off employee must advise the Company whether he/she accepts re-employment. An employee who fails to return will have employment terminated. If no reply is received by the Company within such five (5) day period, the next employee may be notified.

3.6. Loss of Seniority: It is agreed between the parties that an employee shall lose seniority under the following circumstances:

(1) Voluntary termination of employment;
(2) Discharge for just cause;
(3) Upon failure to return to work, when recalled after lay-off, within a period of five (5) working days after notice by certified or registered mail has been sent the employee;
(4) When lay-off exceeds the following periods:

If Accrued Seniority Is	Seniority Shall Be Lost After Lay-Off Exceeding
Less than sixty (60) days	Two (2) Weeks
Sixty (60) days but less than six (6) months	One (1) Month
Six (6) months but less than one (1) year	Six (6) Months
One (1) year but less than two (2) years	One (1) Year
Two (2) years but less than five (5) years	Two (2) Years
Five (5) years but less than eight (8) years	Three (3) Years
Eight (8) years and over	Five (5) Years

No seniority shall be accumulated during periods of layoff.

3.7. **Relief Workers:** In order to provide an orderly means of filling temporary vacancies, certain employees in the various departments will be designated to act as relief personnel in their respective departments. Such relief positions will be bid where the vacancy exists in accordance with the procedure outlined in Paragraph D under Promotions and Transfers and, their seniority treated in accordance with Paragraph A – Definition of Seniority. A temporary vacancy for the purpose of this sub-paragraph shall be defined as a vacancy existing because of any emergency or because of the absence of an employee for any reason where the absence is not expected to be permanent, including, but not exclusively, absence due to vacation, sickness, accident or personal reasons. Relief workers shall retain their permanent classification and applicable rates of pay except when filling temporary vacancies. Relief workers shall be paid at the rate of one and one-half (1-1/2) times their regular rate of pay for all time worked in excess of eight (8) consecutive hours within any twenty-four (24) hour period. Employees holding relief positions, who for any reason move to jobs out of their department, shall not retain their relief position.

The Company agrees to train the two most senior Laborers in the Production Department and Water Quality Department, desiring to be trained, to qualify them to relieve, when needed, the Laboratory Worker and the Production Department Clerk in the Production Department and Water Quality Department. When relief is required in either classification, such relief will be offered on a seniority basis to the two trained and qualified Laborers.

In the filling of relief positions in the Production Department, all scheduled or unscheduled absences, for whatever reason, will be assigned by seniority in accordance with the first relief having first choice. Once selection has been made, they will fill that assignment for the duration of said absence. At that time, if there is another vacancy being filled by the second relief, first relief will have the right to assume that vacancy.

Section 4. General

The chipping of concrete, tile, brick or other composition pavement and the replacing of same for the installation of mains, services or meters shall be performed by the employees engaged in the classes of work specified in Section 1.3 of Article 4 hereof.

Employees performing more than one class of work shall be paid the scale for each class of work as established by this Contract, according to the time employed on each job. However, in the event an employee is temporarily transferred to a lower classification, his/her rate of pay shall not be reduced.

If an employee is sent out on Company business from his/her designated reporting station which makes it necessary for said employee to expend money for the employee's transportation,

such employee shall be reimbursed by the Company for such expenditure upon presentation of an itemized expense account.

In the event an employee shall be discharged or suffer a lay-off as an imposed penalty and he/she believes he/she has been unjustly dealt with, such discharge or lay-off shall constitute a case arising under the method of adjusting grievances herein provided and, such grievance must be taken up within ten (10) days of the occurrence of such grievance and disposed of within a reasonable time.

In the event it should be decided under the rules of this Contract that an injustice has been dealt an employee with regard to the employee's discharge or lay-off, the Company shall reinstate such an employee to his/her former position and pay the employee compensation at the regular rate for the time the employee normally would have worked.

Section 5. Bereavement

Regular employees shall be granted a maximum of four (4) scheduled work days' absence at this regular hourly rate of pay in the event of death of father, mother, spouse, child, mother-in-law, father-in-law, brother, sister, grandparent or grandchild. For the relationships of father, mother, spouse, or child, the employee shall report to work on the third scheduled work day following the funeral providing the maximum of four (4) scheduled work days is not exceeded. For all other relationships mentioned above, the employee shall report to work the second scheduled working day following the funeral, providing the maximum of four (4) scheduled workdays is not exceeded.

Regular employees shall be granted one (1) scheduled work day absence at his/her regular hourly rate of pay for the purpose of attending the funeral of immediate stepmother, immediate stepfather, immediate brothers-in-law, immediate sisters-in-law, immediate daughters-in-law, immediate son in law, or spouse's grandparents.

Section 6. Fill In for Sickness – Production Department and Water Quality Department

When a Process Technician is off sick, the Company will allow the remaining Process Technician to relieve the sick employee for a period of two (2) days. After the second day, the Company will fill the sick employee's place with a temporary employee. The temporary employee will remain at the Production Department or Water Quality Department for the remainder of the absentee period. In the case of the death of a Production Department or Water Quality Department shift worker's family member as set forth in Article 5, Section 5, of the agreement, any nonscheduled overtime required will be shared by the employees in that classification.

Section 7. Inclement Weather

Employees will not be required to work outdoors in inclement weather, unless such work is necessary to protect life or property or to maintain service. During such periods of inclement weather occurring within the employees' basic work week, the Company may assign indoor work to such employees or send them out to the area where their normal work

should be performed, if the inclement weather is concluded or ended. Union and Management will decide by mutual agreement if work shall continue during inclement weather.

Section 8. Jury Duty

The Company guarantees normal pay to employees on jury duty by paying the difference between normal pay and the amount received for jury duty.

ARTICLE 6
SEVERANCE PAY

When the service of a regular employee having five (5) or more years of uninterrupted service is terminated, a severance allowance shall be granted under the following conditions:

A. When the employee is laid off because of lack of work; and

B. Dismissed except for reasons of misconduct.

It is understood that no severance allowance will be due the employee in any case where the separation is the result of retirement on pension, death, transfer, resignation, or discharge for misconduct. The severance allowance shall be completed as follows:

A. One (1) week's pay for each completed year of service in excess of two (2) but less than six (6)

B. Two (2) week's pay for each completed year of service in excess of five (5). Severance pay shall be determined on the basis of the employee's regularly hourly rate

and his/her regularly scheduled hours for the classification in which he/she is normally employed at the time of his/her lay-off or dismissal.

ARTICLE 7
EMPLOYEE BENEFITS

Section 1. Vacations

The vacation year shall be in all cases the calendar year beginning January 1 and ending December 31. Beginning January 1 of each year, all full-time employees shall be entitled to a vacation within a calendar year based upon the employee's "Completed Years of Continuous Service" during that calendar year as follows:

Same language is used for non-union

Need language about accrual

Completed Years of Continuous Service	Vacation
1 year	1 week
2 years	2 weeks
7 years	3 weeks
14 years	4 weeks
21 years	5 weeks
28 years	6 weeks

Note: Employees hired after November 1, 2006, will only be able to earn a maximum of five weeks vacation.

For each full week of vacation to which an employee is entitled, he/she shall be paid an amount equal to his/her normal weekly wage as determined by his/her regular scheduled hours of employment.

When a Process Technician takes a vacation while working the second, third, or relief shift, they will be paid any shift premium due for the shift they were scheduled to work while on vacation.

Employees will be allowed to schedule vacation they are entitled to within a calendar year prior to their service anniversary date; however, probationary employees must complete their 90 calendar day probationary period prior to eligibility for vacation.

The Company agrees that the employees' wishes will be considered in setting up each year's vacation schedule, and if possible to do so without interfering with the orderly and continuous operation of the plant, employees shall be permitted to take their vacations at times desired by them.

Employees will be able to carry over up to one (1) week of vacation into the next year. In recognition of the orderly and continuous operation of the plant, it is agreed that the following criteria will be used to establish the maximum number of employees in each department listed who can schedule vacation at any one time in each listed department:

Department	Maximum Number of Employees on Vacation
Outside Commercial	Three (3) employees maximum from the classification of Field Representative, Meter Repair and Meter Reader. One (1) employee maximum from the classification of Field Services Records Specialist, and one (1) maximum from the classification of Field Services.
Engineering	One (1) employee maximum, regardless of classification.
Production and Water Quality	A maximum of seven (7) employees. However, no more than three (3) Maintenance Mechanics and Master Maintenance Mechanics will be on vacation at the same time and further provided, one (1) Laborer or Laborer/Relief Process Technician or Laborer/Process Technician in Training, not relieving, must be available.

Distribution

Six (6) employees maximum from any classification. Of the six (6) employees, no more than a maximum of three (3) Heavy Equipment Operators may be off at any given time.

One (1) employee maximum from the classification of Distribution Clerk in addition to the aforementioned Distribution Department employees.

Any employee moving into a different classification or department after the vacation schedule has been posted will reschedule his/her vacation so that it will not conflict with other employees in that classification of department for that year.

Vacation shall, as far as can be arranged, be taken in continuous periods and may not be accumulated.

Employees will be able to carry over up to one (1) week of vacation into the next year. Upon termination of service for any cause, an employee shall be paid at the time of such termination for all accrued or earned vacation then due.

Section 2. Disability Benefits

2.1. Leaves of Absence for Sickness or Accident Disability

Employees will be granted leaves of absence for sickness or accident disability, including pregnancy, for the following maximum periods shown below:

Leave of Absence Limits:

Length of Service	Maximum Period of Leave of Absence
Up to six months	Two weeks
Six months but less than two years	Twenty-eight weeks
Two years but less than five years	One year
Five years and over	Four years

During periods of leave of absence for sickness or accident disability, including pregnancy, employees will be paid in the maximum amounts hereinafter set forth. Each employee who is disabled and unable to perform his/her regular duties as a consequence of illness or accident, shall be paid as follows during such disability.

1. If the employee is entitled to, in any given week, Weekly Sickness and Non-Occupational Accident Benefits under the Group Insurance Plan or Temporary Total Disability Benefits under the Workmen's Compensation Acts of Tennessee and Georgia, the payment by the Company in such week shall be limited to the difference between the employee's normal weekly earnings and the amount of such benefits.

2. The Company may require a suitable statement from the employee's physician certifying to the disability or may elect to have a physician selected by it to examine the employee. An employee absent on sick leave for three of more consecutive days may be required to submit a note from a health care practitioner certifying that the employee was unable to work for health reasons and is now permitted to return to work.

3. The "Disability Year" shall be the calendar year commencing January 1 and ending December 31.

4. If any period of disability extends beyond December 31 of the calendar year in which the disability commences, the employee shall continue to draw such pay from the Company until the employee has received the maximum number of weeks to which the employee would have been entitled in the calendar year in which the disability commenced. The employee shall not then be entitled to further payments until he/she returns to active employment for at least one (1) day, nor shall he/she be entitled to further payments for the same or related disability until he/she has returned to active employment for two (2) weeks.

5. In recognition of the fact that delay sometimes occurs in the determination of benefits payable under the Workmen's Compensation Law, the Company agrees in order to assure continuity of income to a disabled employee that it will pay the employee's normal weekly wages in full for the period indicated in the schedule above, subject to agreement by the employee that any benefits currently or subsequently received from the Workmen's Compensation carrier (other than reimbursement of expenses) with respect to said period of disability, shall be assigned to the Company.

6. It is understood that these payments from the Compensation carrier to be assigned to the Company include only weekly benefits for temporary disability.

7. The Company will annually provide up to eight (8) hours of paid time away from work which can be divided into fifteen minute increments to be used for the employee's doctor or dental visits. Unused time may be carried over each year with a maximum of 24 hours being accumulated.

January 1, 2018 a sick bank will be established for current employees based on completed years of service in 2017 plus forty days.

Effective January 1, 2018 any employee who does not use all of their annual sick leave may carry over unused days into a sick leave bank. The sick leave bank for all employees shall be capped at 130 days with a one-time exception regarding the establishment of a sick bank. Employees with greater than twenty-four (24) years of service shall start their bank based upon their actual completed years of service calculation as of December 31, 2017. Employees hired after December 31, 2017 will be eligible to roll their allotted unused sick time into a sick bank up to a maximum of 130 days.

Employees will have the discretion to utilize their allotted sick bank. The Company may require a suitable statement from the employee's physician certifying to the disability, illness, or accident and may elect to have a physician selected by it to examine the employee.

Employees whose illness continues into a new calendar year must return to work for at least seven calendar days before receiving a new fourteen (14) days of sick time allotment.

Part-time employees are not eligible for sick time.

Sick time is not earned time off and is available to eligible employees on the first month following one (1) full month of continuous service for up to a maximum of fourteen (14) paid sick days per calendar year.

Employees hired on or before June 30 in the current calendar year will receive fourteen (14) days of sick time and employees hired after July 1 in the current calendar year will receive (7) days of sick time.

Unless otherwise required by law, up to three (3) days of the fourteen (14) allowed may be used for spouse, child, parent or domestic partner.

Employees are required to contact the Company's short-term disability provider if an absence is expected to continue longer than five (5) days. In accordance with the National Benefits Plan, if you are eligible for Short Term Disability (STD) benefits and are still disabled after you exhaust your paid sick leave and sick bank STD coverage will start paying benefits for a combined duration of 52 weeks of payments. Depleted sick leave banks may be replenished per the language contained within this section.

Should an illness or injury occur that precludes the employee from taking vacation during the calendar year, the Company will agree to pay employee up to five days of unused vacation.

Section 3. Insurance, Welfare, Pension and 401(k) Plans

The Plans of Group Insurance, Accidental Death and Dismemberment Insurance, Weekly Accident and Sickness Benefits, hospital, medical, surgical benefits described in the booklet entitled GROUP INSURANCE PLAN and The Pension Plan (including 401(k) Plan) agreed upon in July 2005, by the Utility Workers Union of America, AFL-CIO and American Water Works Company, will be made a part of this Contract. It is agreed that said plan shall not be subject to renegotiation until August 1, 2010. The Company and Union agree to be bound by the results of the renegotiation of the Insurance and Welfare Plan to be agreed upon by American Water Works Company, Inc., or its designee and the Utility Workers of America, AFL-CIO, Local121 or its designee.

ARTICLE 8
TERM OF CONTRACT

Section 1.

This Contract shall be binding on the respective parties hereto beginning with the 22nd day of May 2017, and ending with the 21st day of May 2022, and from year to year thereafter unless either party notifies the other of its desire to terminate the Contract on the next anniversary date thereof by sending notice to that effect to the other party in writing not less than sixty (60) days prior to such anniversary date. The provisions of Articles 2, 3, and 8 shall continue in full force and effect and be binding on the Company and the Union after the termination date so long as any of the provisions of said Articles 2, 3, and 8 have not been fully completed in accordance with the spirit and intent of those Articles, and said Articles may only be terminated sooner by mutual consent of the parties.

Section 2.

In the event that legislation be enacted or regulations be adopted making mandatory, during the term of this Contract, a work week of less than forty-eight (48) hours, or requiring the payment of overtime rates of pay for hours worked in excess of a number of less than a forty (40) hour week or eight (8) hour day, or changing the overtime rate of pay in any manner, then and in any such case either party hereto may, at any time during the term of the Contract, open Article 4 for negotiation concerning changes desired in such Article 4 by giving the other party ten (10) days notice in writing of the changes desired. Changes in Article 4 under the provisions of this Section finally determined shall become effective as of the date ten (10) days after receipt of notice in writing of desire for change. Upon failure to reach a mutual agreement upon such changes desired by either party, the arbitration provisions shall thereupon be put into operation and be given effect.

ARTICLE 9

Section 1. Management Rights

Except as otherwise specifically limited in this Contract, it is mutually understood and agreed that the Company has the right to exercise the regular and customary functions of management, among which functions are the management of the property, the right to decide the methods and equipment to be used in the operation and maintenance of the property, and the direction of the employees including the right to hire, assign, work, suspend, discharge, discipline, promote, demote, or transfer and to release employees because of lack of work or for other proper reasons, subject, however, to the employees privilege of bringing a grievance as provided in the Contract.

When the Company establishes a new job classification or makes substantial changes in the duties of an existing job classification, it shall notify the Union at least five (5) working days prior to taking the action of the proposed wage rate for the new job. Should a question arise as to the proper wage rate for the new job, or the existing job, the Company will negotiate the matter with the Union.

Section 2. Contracting

For the purpose of preserving work and job opportunity for the employees covered by the agreement, the Company will not contract out work that the bargaining unit employees customarily and historically performed so long as the Company has the necessary equipment and available employees to perform the work. For the purposes of this provision, available employees shall include employees qualified to do the work, whether or not on lay-off status. This section shall not apply in an emergency where the Company makes a bona fide effort to call its employees to work and cannot reach them.

ARTICLE 10

This Agreement can be amended only by mutual agreement in writing signed by the majority of the Union Negotiating Committee and an Officer of the Company. There are five (5) signed "Letters of Agreement/Understanding" written in settlement of grievances or disputes which are not attached to this contract but remain in effect and binding upon both the Company and the Union.

The referenced letters are as follows:

Letter of Agreement dated November 5, 1991, concerning overtime for relief in the Distribution Department.

Letter dated October 24, 1993, concerning miscellaneous issues such as size of dump truck driven by Distribution Department employees assigned on a seniority basis, Company provided parking for Office Complex employees, and method of obtaining employees to work on an overtime basis in the Distribution Department.

Letter of Agreement dated August 22, 2002, concerning elimination of On & Off classification and creation of the Field Services position.

Letter of Agreement dated June 2, 2003, for Effects Bargaining relating to the closing of the Inside Commercial Department.

Letter of Agreement dated October 29, 2004, concerning Effects Bargaining for Field Service Records Specialists.

AGREEMENT

In recognition of their mutual responsibility to insure that all terms of the agreement between Tennessee-American Water Company and Local No. 121 - Utility Workers Union of America-A.F.L.-C.I.O. dated May 22, 2017 , are in accordance with the intent of the Equal Employment Opportunity Guidelines, the Company and the Union agree that if the Contract is found to be in violation of the law, the parties will meet and develop terms of the agreement to comply with the law.

TENNESSEE-AMERICAN WATER COMPANY

Kevin Kruchinski, Director of Operations

Casey Allen, Operations Superintendent

Leah Morrison,
Field Operations Supervisor

Kathleen Vaughn, Supervisor Production

Valoria Armstrong, President Tennessee American Water

Michael Springer
Sr. Director Labor Relations

UTILITY WORKERS UNION OF AMERICA-LOCAL 121

Danny Seebeck, President

Courtney Johnson, Vice President

Charles Cofer, Secretary

Taylor Simms, Treasurer

James Lewis, UWUA

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Robert Prendergast

Question 035

EXPENSES

For the test period and attrition period, provide detailed workpapers supporting the calculation of the life insurance expense, long-term disability, hospitalization and medical expenses, and other miscellaneous employee insurance expenses. Show the total and capitalized amounts. Provide actual rates for the benefits that TAWC pays. Provide the amounts that the employee contributes for these benefits.

Response:

Please refer to Petitioner's Exhibit EXP-5-Labor-RP (Confidential), Petitioner's Exhibit EXP-6-Group Insurance-RP, and associated workpapers for the calculation and amounts requested above.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: John Watkins

Question 036

EXPENSES

Provide a liability and property insurance schedule for the test period, identifying the policies in effect, the type of coverage, the coverage period, the annual premiums, the amount included as an expense, the account charged, the beneficiaries and the allocation used. Also, provide the same information for those policies currently in effect and any anticipated changes in policies through the attrition period. Where applicable, provide the name of the insurance company with a contact person and telephone number.

Response:

MFG Q036 - Confidential Attachments Filed Under Seal.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Robert Prendergast

Question 037

EXPENSES

Provide the latest actuarial studies for pension expense and liabilities (FAS 87) and post-employment benefits other than pensions (FAS 106).

Response:

MFG Q037 - Confidential Attachments Filed Under Seal.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Robert Prendergast

Question 038

EXPENSES

Does TAWC have a written policy regarding non-base pay compensation or stock options? If so, please provide a copy of this policy. Were any amounts paid or accrued during the test period? If so, please provide a schedule of employees, showing the amount paid or accrued and the basis of the calculation. Provide the same information for the attrition period.

Response:

MFG Q038 - Confidential Attachments Filed Under Seal.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 039

EXPENSES

Provide a detailed analysis of advertising expense for the test period. Provide and discuss TAWC's projected advertising expenses from the end of the test period through the attrition period. For each month, identify the amount of advertising classified as follows:

a. Institutional
b. Conservation
c. Informational
d. Promotional
e. Promotional for the sale of appliances

Response:

TAWC has not recorded advertising expenses in the test period and has not projected advertising expenses through the attrition year.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 040

EXPENSES

Provide the amount of expense recorded in NARUC Account 641 & 642 for the rental of equipment or other property, for each month of the test period. Provide copies of Lease Agreements if applicable.

Response:

MFG Q040 - Confidential Attachments Filed Under Seal.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: John Watkins

Question 041

EXPENSES

Provide a schedule identifying all directors of TAWC, its Parent, Multi-state Utility, or Affiliated Utility Service Company, dates of meetings attended, and the amount of directors' fees attributable to each meeting for each month of the test period. Identify the account to which these fees are booked.

Response:

Below is a listing of directors of TAWC covering the period of January 1, 2023 – December 31, 2023:

Grant Evitts, President - TAWC
Sonal Modi, Senior Manager - Finance
Grady Stout, Director - Engineering
Douglas Wagner, VP – Operations

Board Meetings for TAWC were held on June 1st and November 15th during the test year 2023.

Below is a listing of directors of AWW covering the period of January 1, 2023 – December 31, 2023:

Karl F. Kurz	Non-Executive Board Chair
Jeffrey Edwards	Director
Martha Clark Goss	Director
M. Susan Hardwick	Director
Kimberly J. Harris	Director
Laurie P. Havanec	Director
Julia L. Johnson	Director
Patricia L. Kampling	Director
Michael L. Marberry	Director

TAWC does not have information on meeting dates in its possession.

Below is a listing of Service Company Board Meetings during 2023 which includes the directors:

January 26, 2023

Directors Present:	John C. Griffith, Chair	Kevin B. Kirwan
	David Bowler	Justin Ladner
	Lynda DiMenna	Rebecca Losli
	F. Michael Doran	Mark K. McDonough
	Maureen Duffy	Cheryl D. Norton
	James H. Gallegos	Richard C. Svindland
	M. Susan Hardwick	Kevin Tilden
	Melanie M. Kennedy	

April 20, 2023

Directors Present:	John C. Griffith, Chair	Kevin B. Kirwan
	David Bowler	Justin Ladner
	Lynda DiMenna	Rebecca Losli
	F. Michael Doran	Mark K. McDonough
	Maureen Duffy	Cheryl D. Norton
	James H. Gallegos	Richard C. Svindland
	M. Susan Hardwick	Kevin Tilden
	Melanie M. Kennedy	

July 20, 2023

Directors Present:	John C. Griffith, Chair	Kevin B. Kirwan
	David Bowler	Justin Ladner
	Lynda DiMenna	Rebecca Losli
	F. Michael Doran	Mark K. McDonough
	Maureen Duffy	Cheryl D. Norton
	James H. Gallegos	Richard C. Svindland
	M. Susan Hardwick	Kevin Tilden
	Melanie M. Kennedy	

October 25, 2023

Directors Present:	John C. Griffith, Chair	James H. Gallegos
	David Bowler	M. Susan Hardwick
	F. Michael Doran	Melanie M. Kennedy
	Maureen Duffy	Cheryl D. Norton

All board members of TAWC and the Service Company are employees of the Company or the Service Company; therefore, there is no additional compensation for their service.

Tennessee American Water Company
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Minimum Filing Guidelines

Responsible Witness: Heath Brooks

Question 042

EXPENSES

Provide a copy of TAWC's Cost Allocation Study and support for any proposed changes in rate design.

Response:

Please refer to Petitioner's Exhibit COS – 1: Class Cost of Service Study-HB and Petitioner's Exhibit COS – 2: Other Operating Fees Cost Study-HB.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: John Watkins

Question 043

EXPENSES

Provide the amount of direct and allocated charges to TAWC from its Parent, Multi- State Utility, or Affiliated Utility Service Company, by account, for each month of the test period and the projected amount for each month of the attrition period.

Response:

Please refer to 2024 TAWC MFG Q043_Attachment for the breakout of direct and allocated charges to TAWC from American Water Service Company, by account, for each month of the test period and the amounts projected for the attrition period. Parent Company does not allocate charges to TAWC.

Tennessee American Water Company
Docket No. 24-XXXXX
Minimum Filing Guidelines - Question 043
American Water Service Company O&M Expenses

		Jan-23		Feb-23		Mar-23		Apr-23		May-23		Jun-23		Jul-23	
GL Account	GL Account Description	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC
50100000	Labor Natural Account	$25,333	$156,802	$23,445	$155,865	$25,304	$166,610	$28,786	$172,364	$20,809	$177,500	$31,988	$264,439	$20,724	$177,124
50100001	Labor Expense Accrual	3,187	21,035	(1,162)	(219)	2,956	32,619	1,066	585	337	30,684	(7,401)	(81,955)	399	11,683
50110000	Labor Non-scheduled Overtime - Natural Account	-	3,956	-	5,073	-	3,767	330	3,092	-	3,795	-	4,735	-	3,309
50120000	Labor Overtime - Natural Account	-	466	-	9	-		-	7	-		-	187	-	580
50171000	Annual Performance Plan	-	45,864	-	53,134	-	57,979	-	52,440	-	52,440	-	52,440	-	52,440
50171800	Compensation Expense - RSU/PSU	-		-		-	66,092	-		-		-	139,794	-	
50185000	Severance	-	(937)	-	2,655	-	(173)	-		-	1,032	-	12,430	-	11,612
50421000	401k Expense	1,026	5,572	773	4,506	1,274	9,348	1,155	5,205	759	6,312	899	5,391	748	5,531
50422000	Defined Compensation Plan Expense	1,310	7,022	985	5,650	1,280	7,830	1,557	6,648	1,039	7,968	1,205	6,933	1,013	6,959
50423000	Employee Stock Purchase Plan Expense	-		-	2,642	-		-		-	3,289	-		-	
50426000	Retiree Medical Expense	40	362	31	397	39	229	33	454	39	590	38	581	35	556
50450000	Other Welfare - Natural Account	60	2,521	-	2,252	-	905	-	756	-	482	-	727	-	433
50451000	Employee Awards	-	641	-	354	-	623	-	797	-	1,451	-	256	-	393
50452000	Employee Physical Exams	-	(0)	-	402	-	-	-	6	-	545	-	118	-	297
50456000	Tuition Aid	-	379	-	167	-	262	-	252	-	467	-	605	-	453
50457000	Training	-	1,849	-	300	-	1,227	-	(171)	-	782	-	600	-	207
50458000	Referral Bonus	-		-		-		-		-	234	-	118	-	206
50510000	PBOP Expense	-	(4,818)	-	(4,825)	-	(4,806)	-	(4,904)	-	(4,438)	-	(4,823)	-	(4,822)
50550000	Group Insurance Expense	4,432	30,075	3,001	28,067	3,998	32,252	4,815	29,395	3,100	35,034	3,715	31,544	3,199	33,675
50560000	Health Savings Account Expense	712	4,163	-	28	-	195	-	26	-	131	-	(12)	-	38
50610000	Pension Expense	-	6,555	-	8,305	-	6,515	-	7,056	-	7,166	-	7,109	-	7,572
52000000	M & S (O&M) - Natural Account	-	(1,666)	-	1,147	-	631	-	484	-	159	-	381	-	649
52001600	M & S Oper - Admin & General	-	-	-		-		-	7	-	-	-		-	
52500000	Misc Exp (O&M) - Natural Acct	(4,145)	(1,772)	(3,584)	(635)	(4,253)	(862)	(4,711)	(1,547)	(3,299)	482	(6,025)	3,514	(2,029)	(792)
52512500	Books & Publications	-	7	-	793	-	58	-	2	-	1	-	331	-	296
52513200	Business Development	-	30	-	1,674	-	315	-	(101)	-	284	-	295	-	(251)
52514000	Charitable Contribution Deductible	-		-		-		-		-		-	75	-	
52514100	Charitable Contribution Nondeductible	-		-		-		-		-		-		-	
52514700	Community Partnerships	-		-		-	96	-		-		-		-	
52514900	Customer Education	-		-		-	25	-	52	-	12	-	3	-	-
52514905	Customer Education Communication - Printed	-		-		-		-		-	3	-	-	-	
52514907	Customer Education - Press Releases	-	190	-	190	-	197	-	182	-	195	-	190	-	190
52514910	Customer Education - Online Development/Producti	-	(0)	-		-	169	-	619	-	22	-		-	
52515000	Community Relations - Events	-		-		-		-		-	19	-		-	
52515001	Community Relations - Specialty	-		-		-		-		-	39	-		-	
52522000	Community Relations	-		-		-		-		-		-		-	
52524000	Co Dues/Membership Deductible	-	2,350	-	2,981	-	1,960	-	3,122	-	2,281	-	1,131	-	1,717
52524100	Co Dues/Membership Nondeductible	-		-		-		-		-		-		-	
52526100	Credit Line Fees Interco	-	4,034	-	2,615	-	1,649	-	2,010	-	2,168	-	2,031	-	3,190
52527000	Directors Fees	-	8,607	-	32	-	32	-	8,218	-	32	-	32	-	7,942
52527100	Directors Expenses	-	507	-	499	-	909	-		-	960	-	599	-	
52532000	Electricity - Natural Account	-	1,329	-	(369)	-	461	-	293	-	366	-	614	-	146
52534000	Employee Expenses	4,409	1,963	2,152	3,125	617	6,309	(1,271)	2,759	2,619	4,301	2,521	4,426	2,506	2,418
52534200	Conferences & Registration	-	-	795	27	-	119	1,245	134	-	305	-	57	-	1,579
52535000	Meals Deductible	-	939	76	669	-	1,626	138	781	172	2,046	80	388	23	1,022
52535100	Meals Non-Deductible	-	(97)	-	8	-	-	-	58	-	(16)	-	(45)	-	1
52542000	Forms - Natural Account	-		-		-	1	-		-	1	-		-	1
52546000	Grounds Keeping - Natural Account	-		-	3	-		-		-	19	-	15	-	24
52548000	Heating Oil/Gas - Natural Account	-	1	-	(4)	-		-	4	-		-		-	
52548100	Hiring Costs	-	(246)	-	1,363	-		-	779	-	25	-		-	
52549000	Injuries and Damages	-		-		-	66	-		-		-		-	
52550000	Janitorial - Natural Account	-	103	-	24	-	51	-	2	-	19	-	44	-	73
52554500	Lab Supplies	-	2,089	-	1,022	-	1,257	-	235	-	995	-	2,187	-	1,013
52562000	Office & Admin Supplies - Natural Account	1,836	205	-	553	(107)	319	-	426	431	154	33	841	51	257
52562500	Overnight Shipping - Natural Account	-	542	-	569	-	374	-	269	-	582	-	804	-	770
52564000	Penalties Nondeductible	-	-	-		-		-	0	-	9	-	200	-	(108)

Tennessee American Water Company
Docket No. 24-XXXXX
Minimum Filing Guidelines - Question 043
American Water Service Company O&M Expenses

		Jan-23		Feb-23		Mar-23		Apr-23		May-23		Jun-23		Jul-23	
GL Account	GL Account Description	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC
52566000	Postage - Natural Account	-	93	-	14	-	8	-	5	-	1,951	-	751	-	577
52566700	Printing	-	43	-	23	-	(64)	-	59	-	123	-	(85)	-	68
52567000	Relocation Expenses	-	734	-	246	-	(408)	-	304	-	2,813	-	369	-	240
52568000	Research & Development	-	920	-	(1,992)	-	395	-	86	-	28	-	(442)	-	(1,375)
52571000	Security Service - Natural Account	-	150	-	130	-	236	-	127	-	129	-	149	-	139
52571500	Software Licenses	-	16,196	-	21,078	-	15,824	-	19,537	-	18,582	-	27,803	-	21,085
52573000	Customer Accounting-Collection Agencies	48,205	-	43,664	-	49,406	-	39,519	-	44,486	-	42,073	-	44,596	-
52573100	Customer Accounting-Forms	10,748	-	10,406	-	10,229	-	11,187	-	12,235	(172)	11,846	-	12,840	(37)
52573200	Customer Accounting-Postage	33,032	-	35,217	-	39,672	-	29,567	-	34,842	-	32,871	-	34,755	-
52574000	Telephone - Natural Account	-	5,052	-	10,580	-	8,975	-	7,542	-	7,735	-	3,196	-	(269)
52574100	Cell Phone - Natural Account	7	(913)	7	2,809	7	4,186	7	(90)	7	1,554	1	4,143	109	1,265
52574200	Data Lines - Admin & General	-	(163)	-	175	-	455	-	82	-	94	-	2,921	-	121
52574300	Wireless - Service First - Natural Account	-	(684)	-	460	-	(181)	-	67	-	364	-	459	-	2,361
52578000	Trash Removal - Natural Account	-	272	-	18	-	148	-	(121)	-	8	-	39	-	30
52582000	Uniforms - Natural Account	-	26	-	1	-	52	-	1	-	4	-	(8)	-	13
52583000	Water & WW - Natural Account	-		-		-	(3)	-		-		-		-	
52585000	Discounts Available	-	(127)	-	(37)	-	(63)	-	(29)	-	(163)	-	(112)	-	(51)
52599800	PCard Undistributed	-	333	-	432	-	237	-	(636)	-	(268)	-	468	-	(329)
53110000	Contract Svc-Eng - Natural Account	142		-		1,120	16	-	76	-	467	592	(560)	-	
53150000	Contract Svc-Other - Natural Account	403	36,938	471	36,935	202	32,927	212	35,558	206	51,431	-	39,891	494	41,531
53151000	Contract Svc-Temp Empl - Natural Account	-	2,293	-	2,381	-	2,414	-	3,730	-	2,327	1,575	2,482	(1,575)	2,609
53152000	Contract Svc-Lab Testing - Water Treatment	-	(62)	-	110	-	81	-	154	-	540	-	740	-	(458)
53153000	Contract Services - Accounting	-	1,513	-	870	-	2,745	-	298	-	1,062	-	348	-	1,276
53154000	Contract Services - Audit Fees	-	5,524	-	2,963	-	2,054	-	5,425	-	1,897	-	1,054	-	994
53155000	Contract Services - Legal	-	464	-	5,605	-	6,863	-	1,170	-	2,989	-	1,936	-	2,674
53157000	Contract Services - Outplacement	-	111	-	(111)	-	913	-	(285)	-	-	-	-	-	-
53159100	Contract Services - Hardware Services	-	(786)	-	4,161	-	4,312	-	6,196	-	2,539	-	6,444	-	7,052
53185000	Contract Services - Interco	-	4,040	-	3,868	-	4,023	-	3,909	-	3,896	-	3,945	-	3,819
54110000	Rents-Real Property - Natural Account	-	1,244	-	1,121	-	924	-	(1,182)	-	514	-	578	-	583
54115000	Rents-Real Property Interco	-	9,831	-	9,115	-	9,944	-	9,720	-	9,222	-	9,515	-	9,335
54140000	Rents-Equipment - Natural Account	-	105	-	80	-	92	-	(289)	-	127	-	119	-	121
55000000	Transportation (O&M) - Natural Account	-		-		-		-		-	13	-		-	
55010100	Transportation Lease Costs	-	132	-	(572)	-	305	-	108	-	96	-	(90)	-	(495)
55010200	Transportation Lease Fuel	-	12	-	18	-	(8)	-	10	-	(12)	-	1	-	45
55010300	Transportation Lease Maint	-	1	-	(87)	-	(28)	-	4	-	(2)	-	0	-	35
55010400	Transportation - Employee Reimbursement to Comp	-	2	-	2	-	2	-		-	2	-		-	9
55010500	Transportation - Reimburse Employee Personal Use	1,034	62	-	262	-	177	18	153	-	294	-	317	-	135
55110000	Insurance Vehicle	-	115	-	110	-	117	-	118	-	116	-	115	-	117
55710000	Insurance General Liabilty	-	9,161	-	8,797	-	9,280	-	9,242	-	9,054	-	9,018	-	9,063
55711000	Insurance Casualty Reserve	-		-		-		-		-		-		-	
55720000	Insurance Workers Compensation	-	2,412	-	2,243	-	2,425	-	2,415	-	2,395	-	2,413	-	2,386
55730000	Insurance Other	-	564	-	540	-	574	-	720	-	561	-	557	-	564
55735000	Insurance Other - Intercompany	-	3,264	-	2,948	-	3,264	-	3,305	-	3,769	-	3,647	-	3,769
55740000	Insurance Property	-	425	-	407	-	431	-	438	-	430	-	427	-	433
57010000	Uncollectible Accounts Exp - Natural Account	-		-		-		-		-		-	(772)	-	
62502600	Misc Maint - Admin & General	-	29,538	-	25,458	-	30,735	-	31,810	-	30,608	-	24,207	-	30,939
68011200	Depreciation Exp - Non-Utility Property	-	29,452	-	28,886	-	39,614	-	28,610	-	32,259	-	35,368	-	32,010
68520000	Property Taxes	-	145	-	210	-	109	-	56	-	74	-	134	-	134
68532000	FUTA	138	915	32	407	(4)	122	-	34	(73)	(237)	41	332	-	18
68533000	FICA	2,176	17,966	1,675	50,437	3,991	3,785	2,222	14,118	1,567	19,039	1,885	13,747	1,539	14,950
68535000	SUTA	739	3,827	127	3,297	80	3,238	159	1,010	45	(1,257)	19	(2,358)	14	592
68543000	Other Taxes and Licenses	-	2,734	-	975	-	977	-	1,461	-	2,896	-	1,457	-	1,646
69011000	FIT - Current	-	3,029	-	3,075	-	1,735	-	2,612	-	2,615	-	2,612	-	2,612
69021000	SIT - Current	-	884	-	898	-	409	-	762	-	748	-	766	-	764
69065000	Deferred FIT - Other	-	(2,557)	-	(2,603)	-	(1,263)	-	(2,140)	-	(2,143)	-	(2,139)	-	(2,139)
69073500	Deferred SIT - Other	-	(860)	-	(640)	-	(255)	-	(590)	-	(576)	-	(593)	-	(591)
81035000	Interest Capital Lease Intercompany	-	1,586	-	1,579	-	1,763	-	1,597	-	1,473	-	1,427	-	1,407
81500000	Interest Other	-		-		-		-		-		-		-	
81815100	Interest Income - STD Intercompany	-	(10,552)	-	(10,070)	-	(8,797)	-		-	(22,850)	-	(14,665)	-	(8,752)
	Total	**$134,827**	**$476,024**	**$118,113**	**$498,659**	**$135,811**	**$583,050**	**$116,035**	**$480,062**	**$119,321**	**$530,092**	**$117,955**	**$641,402**	**$119,442**	**$511,406**

Tennessee American Water Company
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American Water Service Company O&M Expenses

		Aug-23		Sep-23		Oct-23		Nov-23		Dec-23		Total - 2023			Total	Total Attrition Year
GL Account	GL Account Description	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Total 2023	2024	2025
50100000	Labor Natural Account	$20,769	$175,331	$23,863	$169,820	$23,806	$168,747	$23,760	$164,889	$40,651	$254,097	$309,236	$2,203,589	$2,512,825	$2,637,349	$2,729,129
50100001	Labor Expense Accrual	4,038	26,363	1,266	13,191	3,702	17,416	3,251	17,777	(10,864)	(84,328)	776	4,852	5,628	5,898	6,103
50110000	Labor Non-scheduled Overtime - Natural Account	-	2,637	55	2,492	-	2,320	37	2,604	-	2,770	421	40,550	40,971	42,933	44,427
50120000	Labor Overtime - Natural Account	-		-	243	-		-		-	592	-	2,083	2,083	2,183	2,259
50171000	Annual Performance Plan	-	52,440	-	52,440	-	52,440	-	52,440	-	39,711	-	616,207	616,207	646,170	668,657
50171800	Compensation Expense - RSU/PSU	-		-	167,640	-		-		-	102,297	-	475,824	475,824	537,524	575,948
50185000	Severance	-	121	-	18,941	-	(5,635)	-	15,294	-	11,974	-	67,316	67,316	-	-
50421000	401k Expense	889	5,913	887	5,380	975	5,299	982	5,132	942	4,483	11,309	68,072	79,381	83,355	86,256
50422000	Defined Compensation Plan Expense	1,186	7,530	1,230	7,234	1,318	7,133	1,318	7,069	1,480	6,359	14,922	84,336	99,258	104,230	107,857
50423000	Employee Stock Purchase Plan Expense	-	3,855	-		-		-	3,277	-	1,288	-	14,350	14,350	15,037	15,560
50426000	Retiree Medical Expense	38	519	36	2,058	35	563	31	462	35	233	430	7,002	7,433	7,789	8,060
50450000	Other Welfare - Natural Account	-	3,268	-	548	-	1,074	-	1,313	-	2,381	60	16,659	16,718	17,143	17,578
50451000	Employee Awards	-	444	-	1,474	-	433	-	1,168	-	281	-	8,316	8,316	8,527	8,743
50452000	Employee Physical Exams	-	123	-	32	-	20	-	6	-	-	-	1,550	1,550	1,589	1,629
50456000	Tuition Aid	-	190	-	225	-	235	-	209	-	1,041	-	4,485	4,485	4,599	4,715
50457000	Training	-	441	-	352	-	212	-	5,460	-	2,777	-	14,037	14,037	14,393	14,759
50458000	Referral Bonus	-		-		-	37	-		-	157	-	751	751	-	-
50510000	PBOP Expense	-	(4,824)	-	(4,808)	-	(4,815)	-	(4,165)	-	(4,722)	-	(56,769)	(56,769)	(52,488)	(54,315)
50550000	Group Insurance Expense	3,763	34,881	3,993	31,770	3,784	30,738	3,849	30,214	4,543	(12,899)	46,193	334,746	380,939	400,211	414,137
50560000	Health Savings Account Expense	-	8	-		-	9	-	27	2	49	715	4,661	5,376	5,633	5,829
50610000	Pension Expense	-	7,260	-	7,267	-	6,826	-	6,795	-	6,870	-	85,295	85,295	78,547	81,280
52000000	M & S (O&M) - Natural Account	24	50	-	810	-	837	-	(1,205)	-	63	24	2,340	2,364	2,424	2,485
52001600	M & S Oper - Admin & General	-		-		-		-		-		-	7	7	7	7
52500000	Misc Exp (O&M) - Natural Acct	(4,983)	6,053	(3,139)	679	(2,807)	(821)	(3,525)	352	(4,965)	817	(47,463)	5,466	(41,997)	(43,063)	(44,156)
52512500	Books & Publications	-	(291)	-		-	1,027	-	3	-	1	-	2,229	2,229	2,285	2,343
52513200	Business Development	-	1,019	-	(451)	-	144	-	291	-	29	-	3,279	3,279	3,362	3,448
52514000	Charitable Contribution Deductible	-		-		-		-		-	240	-	315	315	-	-
52514100	Charitable Contribution Nondeductible	-		-	21	-		-		-		-	21	21	-	-
52514700	Community Partnerships	-		-		-		-		-		-	96	96	98	101
52514900	Customer Education	-	4	-	13	-	18	-	-	-	10	-	138	138	141	145
52514905	Customer Education Communication - Printed	-		-		-		-		-		-	3	3	3	3
52514907	Customer Education - Press Releases	-	211	-	363	-	383	-	(125)	-	218	-	2,382	2,382	2,443	2,505
52514910	Customer Education - Online Development/Producti	-	710	-	97	-		-	294	-	755	-	2,666	2,666	2,734	2,803
52515000	Community Relations - Events	-		-		-	-	-		-	61	-	79	79	-	-
52515001	Community Relations - Specialty	-	35	-	171	-		-		-		-	245	245	-	-
52522000	Community Relations	-	27	-	-	-	105	-	-	-	14	-	146	146	-	-
52524000	Co Dues/Membership Deductible	-	1,292	-	1,320	-	4,052	-	3,872	-	452	-	26,530	26,530	27,204	27,894
52524100	Co Dues/Membership Nondeductible	-		-		-		-		-	1	-	1	1	1	1
52526100	Credit Line Fees Interco	-	2,318	-	2,349	-	2,483	-	2,383	-	1,744	-	28,973	28,973	29,709	30,463
52527000	Directors Fees	-	91	-	32	-	7,782	-	32	-	53	-	32,887	32,887	33,721	34,577
52527100	Directors Expenses	-	1,031	-		-	767	-	199	-	187	-	5,659	5,659	5,802	5,950
52532000	Electricity - Natural Account	-	342	-	439	-	(178)	-	815	-	526	-	4,785	4,785	5,900	6,050
52534000	Employee Expenses	55	3,306	981	7,158	6	5,668	2,349	2,022	1,687	4,298	18,630	47,752	66,382	68,067	69,794
52534200	Conferences & Registration	-	163	-	121	-	576	-	(149)	-	60	2,040	2,994	5,034	5,162	5,293
52535000	Meals Deductible	223	1,504	238	1,449	-	1,885	294	343	211	2,694	1,455	15,348	16,802	17,229	17,666
52535100	Meals Non-Deductible	-	17	-	204	133	2	-	89	-	-	133	222	355	364	373
52542000	Forms - Natural Account	-	6	-	9	-		-	0	-		-	17	17	17	17
52546000	Grounds Keeping - Natural Account	-	11	-		-	20	-	14	-	92	-	197	197	2,376	2,436
52548000	Heating Oil/Gas - Natural Account	-		-	18	-	(164)	-		-		-	(144)	(144)	476	489
52548100	Hiring Costs	-	269	-	(269)	-		-	832	-	332	-	3,085	3,085	3,163	3,244
52549000	Injuries and Damages	-		-		-		-		-		-	66	66	-	-
52550000	Janitorial - Natural Account	-	13	-	24	-	24	-	15	-	45	-	437	437	1,602	1,643
52554500	Lab Supplies	-	1,025	-	1,233	-	1,713	-	1,225	-	8,292	-	22,285	22,285	22,851	23,431
52562000	Office & Admin Supplies - Natural Account	(2)	126	-	641	-	279	34	361	85	1,151	2,361	5,313	7,674	7,869	8,069
52562500	Overnight Shipping - Natural Account	-	333	-	532	-	694	-	488	-	407	-	6,363	6,363	9,252	16,909
52564000	Penalties Nondeductible	-	44	-	(30)	-		-	15	-	2	-	133	133	-	-

Tennessee American Water Company
Docket No. 24-XXXXX
Minimum Filing Guidelines - Question 043
American Water Service Company O&M Expenses

		Aug-23		Sep-23		Oct-23		Nov-23		Dec-23		Total - 2023			Total	Total Attrition Year
GL Account	GL Account Description	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Direct Charge	$ Allocated to TAWC	Total 2023	2024	2025
52566000	Postage - Natural Account	-	893	-	1,182	-	405	-	21	-	914	-	6,814	6,814	6,986	7,164
52566700	Printing	-	43	-	(90)	-	52	-	50	-	(197)	-	24	24	25	25
52567000	Relocation Expenses	-	(178)	-	268	-	2,051	-	721	-	30	-	7,190	7,190	7,372	7,559
52568000	Research & Development	-	(857)	-	(1,014)	-	621	-	99	-	(303)	-	(3,836)	(3,836)	(3,933)	(4,033)
52571000	Security Service - Natural Account	-	132	-	135	-	136	-	146	-	146	-	1,756	1,756	2,057	2,109
52571500	Software Licenses	-	22,252	-	19,318	-	24,304	-	26,961	-	38,424	-	271,365	271,365	278,251	285,313
52573000	Customer Accounting-Collection Agencies	46,182	-	36,469	-	47,363	-	44,129	-	38,977	-	525,070	-	525,070	538,396	552,059
52573100	Customer Accounting-Forms	16,718	-	15,566	-	10,137	-	13,641	-	7,552	-	143,105	(209)	142,896	146,522	150,241
52573200	Customer Accounting-Postage	34,132	-	31,359	-	33,773	-	31,855	-	32,681	-	403,755	-	403,755	421,110	431,797
52574000	Telephone - Natural Account	-	8,129	-	6,101	-	5,456	-	9,015	-	6,498	-	78,010	78,010	39,022	40,013
52574100	Cell Phone - Natural Account	48	(599)	45	1,677	46	1,427	46	1,509	51	1,552	383	18,521	18,904	19,384	19,876
52574200	Data Lines - Admin & General	-	188	-	282	-	179	-	179	-	217	-	4,728	4,728	4,864	4,988
52574300	Wireless - Service First - Natural Account	-	(332)	-	491	-	536	-	433	-	502	-	4,476	4,476	4,590	4,706
52578000	Trash Removal - Natural Account	-	-	-	608	-	(50)	-	11	-	793	-	1,756	1,756	1,889	1,937
52582000	Uniforms - Natural Account	-	1	-	0	-	4	-	6	-	-	-	100	100	103	105
52583000	Water & WW - Natural Account	-		-		-		-		-		-	(3)	(3)	(4)	(4)
52585000	Discounts Available	-	(103)	-	(88)	-	(94)	-	(91)	-	(384)	-	(1,343)	(1,343)	(1,377)	(1,412)
52599800	PCard Undistributed	-	625	-	(129)	-	(262)	-	21	-	(738)	-	(244)	(244)	(250)	(256)
53110000	Contract Svc-Eng - Natural Account	-	64	-	(64)	-	471	-	(454)	-	(17)	1,854	(0)	1,854	1,901	1,949
53150000	Contract Svc-Other - Natural Account	281	30,551	281	40,948	278	39,810	290	49,096	281	67,581	3,399	503,198	506,596	519,452	532,635
53151000	Contract Svc-Temp Empl - Natural Account	-	2,688	-	2,425	3,963	2,866	(2,378)	2,390	887	2,404	2,472	31,008	33,480	34,330	35,201
53152000	Contract Svc-Lab Testing - Water Treatment	-	(202)	-	121	-	(371)	-	(657)	-	(1,752)	-	(1,757)	(1,757)	(1,802)	(1,847)
53153000	Contract Services - Accounting	-	623	-	842	-	1,216	-	2,433	-	3,926	-	17,152	17,152	17,587	18,033
53154000	Contract Services - Audit Fees	-	13,894	-	3,062	-	1,311	-	1,905	-	3,976	-	44,059	44,059	45,178	46,324
53155000	Contract Services - Legal	-	3,530	-	(940)	-	2,536	-	2,043	-	5,298	-	34,168	34,168	35,035	35,924
53157000	Contract Services - Outplacement	-	-	-	-	-	383	-	(210)	-	628	-	1,428	1,428	-	-
53159100	Contract Services - Hardware Services	-	(639)	-	6,337	-	4,672	-	7,055	-	7,356	-	54,699	54,699	56,087	57,510
53185000	Contract Services - Interco	-	3,909	-	3,926	-	3,990	-	3,921	-	6,320	-	49,565	49,565	50,823	52,113
54110000	Rents-Real Property - Natural Account	-	575	71	622	700	568	-	543	-	902	771	6,992	7,763	7,787	7,984
54115000	Rents-Real Property Interco	-	10,124	-	9,988	-	9,953	-	9,841	-	10,283	-	116,871	116,871	124,781	127,947
54140000	Rents-Equipment - Natural Account	-	84	-	108	-	82	-	83	-	140	-	851	851	828	849
55000000	Transportation (O&M) - Natural Account	-		-	38	-	7	-	45	-	(38)	-	65	65	67	68
55010100	Transportation Lease Costs	-	(42)	-	129	-	(283)	-	(62)	-	383	-	(391)	(391)	(401)	(411)
55010200	Transportation Lease Fuel	-	38	518	20	318	44	-	21	-	16	836	206	1,042	1,068	1,095
55010300	Transportation Lease Maint	-	33	-		-	4	-	4	-	13	-	(23)	(23)	(24)	(25)
55010400	Transportation - Employee Reimbursement to Comp	-	8	-	2	-	7	-		-		-	34	34	35	36
55010500	Transportation - Reimburse Employee Personal Use	-	172	-	217	-	195	-	198	178	271	1,230	2,451	3,681	3,775	3,870
55110000	Insurance Vehicle	-	116	-	119	-	117	-	116	-	117	-	1,392	1,392	1,427	1,463
55710000	Insurance General Liabilty	-	9,189	-	9,268	-	9,120	-	9,055	-	9,126	-	109,372	109,372	112,148	114,994
55711000	Insurance Casualty Reserve	-		-		-		-		-	8,234	-	8,234	8,234	8,443	8,657
55720000	Insurance Workers Compensation	-	2,402	-	2,449	-	2,407	-	2,400	-	2,408	-	28,756	28,756	29,486	30,235
55730000	Insurance Other	-	560	-	599	-	559	-	586	-	559	-	6,943	6,943	7,120	7,300
55735000	Insurance Other - Intercompany	-	3,754	-	3,660	-	3,736	-	3,652	-	914	-	39,681	39,681	40,688	41,721
55740000	Insurance Property	-	431	-	439	-	433	-	429	-	433	-	5,155	5,155	4,445	4,557
57010000	Uncollectible Accounts Exp - Natural Account	-		-	217	-		-		-	(177)	-	(731)	(731)	(750)	(769)
62502600	Misc Maint - Admin & General	-	31,474	-	31,156	-	29,536	-	32,144	-	34,757	-	362,361	362,361	371,557	380,987
68011200	Depreciation Exp - Non-Utility Property	-	28,298	-	30,279	-	26,055	-	38,029	-	31,675	-	380,533	380,533	488,228	404,902
68520000	Property Taxes	-	81	-	96	-	89	-	81	-	98	-	1,308	1,308	2,764	2,834
68532000	FUTA	-	4	-	21	-	19	0	15	0	10	136	1,661	1,797	1,885	1,951
68533000	FICA	1,834	15,594	1,958	13,499	1,976	14,298	1,942	13,215	1,857	12,038	24,621	202,688	227,309	238,528	246,828
68535000	SUTA	13	202	29	193	(1)	246	(0)	121	1	219	1,225	9,331	10,557	11,063	11,448
68543000	Other Taxes and Licenses	-	1,453	-	1,492	-	1,338	-	1,331	-	1,369	-	19,129	19,129	19,614	20,112
69011000	FIT - Current	-	2,612	-	2,613	-	2,612	-	2,612	-	(111,630)	-	(82,889)	(82,889)	(84,992)	(87,149)
69021000	SIT - Current	-	763	-	763	-	763	-	762	-	(49,236)	-	(40,954)	(40,954)	(41,993)	(43,059)
69065000	Deferred FIT - Other	-	(2,139)	-	(2,140)	-	(2,140)	-	(2,140)	-	106,855	-	83,314	83,314	85,429	87,597
69073500	Deferred SIT - Other	-	(591)	-	(590)	-	(590)	-	(590)	-	41,395	-	34,929	34,929	35,816	36,725
81035000	Interest Capital Lease Intercompany	-	1,364	-	1,315	-	5,172	-	1,574	-	33,072	-	53,331	53,331	78,904	74,076
81500000	Interest Other	-		-		-		-		-	(1,458)	-	(1,458)	(1,458)	(1,495)	(1,533)
81815100	Interest Income - STD Intercompany	-	(3,286)	-	(2,001)	-	(1,163)	-	(2,412)	-	(2,229)	-	(86,776)	(86,776)	(88,978)	(91,236)
	Total	**$125,207**	**$524,096**	**$115,703**	**$683,198**	**$129,505**	**$505,187**	**$121,904**	**$540,393**	**$116,273**	**$631,645**	**$1,470,096**	**$6,605,214**	**$8,075,310**	**$8,452,669**	**$8,636,676**

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 044

EXPENSES

Provide the amount of each lobbying expense, charitable contribution, social club membership and athletic event paid by its Parent, Multi-State Utility, or Affiliated Utility Service Company and allocated to TAWC for each month of the test period and included in costs to be recovered in regulated rates. Provide the same information and breakdown for any amounts paid directly by TAWC and included in costs to be recovered in regulated rates. Identify the accounts charged for each amount.

Response:

The Company did not include lobbying, charitable contribution, or social club membership expenses for these categories from AWWSC or TAWC in its filing. The Parent Company does not allocate expenses to TAWC.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Bob Lane

Question 045

EXPENSES

Provide a detailed itemization of the rate case costs by law firm and rate case consultant.

Response:

Please refer to the Petitioner's Exhibit EXP-11-Regulatory Expense-BL for the itemization of the rate case estimated costs.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Robert Prendergast

Question 046

EXPENSES

Please identify any changes since the last Tennessee rate case in the Long-Term Incentive Plan ("LTIP") criteria for compensation. Further, identify the amount and account charged for the LTIP in the test period and the attrition year.

Response:

Confidential response filed under seal.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Bob Lane

Question 047

TAXES

Provide copies of the following tax returns (state and federal) for the most recent three (3) tax years:

a. Tennessee Gross Receipts Tax Returns
b. Tennessee Franchise and Excise Tax Returns
c. Property tax statement Tennessee Ad Valorem Tax Report
d. Employer's Quarterly Federal Tax Returns (Form 941)
e. Employer's Annual Federal Unemployment Tax Return (Form 940)
f. Employer's Quarterly Contribution Report to the Tennessee Department of Employment Security

Response:

a. Please see attachments labeled '2024 TAWC MFG Q047_Attachment 1' through '2024 TAWC MFG Q047_Attachment 5'. 2021 & 2022 have original and amended return copies included.
b. Please see attachments labeled '2024 TAWC MFG Q047_Attachment 6' through '2024 TAWC MFG Q047_Attachment 8'.
c. Please see attachments labeled '2024 TAWC MFG Q047_Attachment 9' through '2024 TAWC MFG Q047_Attachment 11'.
d. American Water uses a common pay agent to pay the IRS for schedule 941. The amounts specific to TNAW can be found in the R schedules of 2024 TAWC MFG Q047_Attachment12_CONFIDENTIAL under the EIN: 62-06529095.
e. Please see 2024 TAWC MFG Q047_Attachment13
f. Please see 2024 TAWC MFG Q047_Attachment14_CONFIDENTIAL

TENNESSEE DEPARTMENT OF REVENUE

Gross Receipts Tax Return
Gas, Water, Electric Power, and Light Companies

RV-R0003901 (12/18)

GRO 209

Filing Period: 07/1/2022-06/30/2023	Reporting Period:
Account Number: 0340000108	Due Date: 01/01/2023-12/31/2023
FEIN/SSN: 62-0529095	

Check if applicable:
Amended return ☐
Remit in installments ☐

Legal Name: Tennessee American Water Company
Mailing Address:
City: Camden | State: NJ | ZIP Code: 08101

Remit amount on Line 13 or 14, whichever is applicable to:
Tennessee Department of Revenue
Andrew Jackson State Office Building
500 Deaderick Street
Nashville, TN 37242
You may file your return and payment at www.tn.gov/revenue.

Round to the nearest dollar

Gross Receipts Tax on Gas Distribution

1. Gross receipts from gas distribution in Tennessee ..... (1)
2. Tax (multiply Line 1 by the applicable rate) ..... (2)

Gross Receipts Tax on Water/Electricity Distribution

3. Gross receipts from water/electricity distribution in Tennessee ..... (3) 57,287,904
4. Exemption amount ($5,000 maximum) ..... (4) 5000
5. Gross receipts subject to tax (subtract Line 4 from Line 3) ..... (5) 57,282,904
6. Tax (multiply Line 5 by the applicable rate) ..... (6) 1,718,487

Computation of Tax

7. Gross receipts tax (add Lines 2 and 6) ..... (7) 1,718,487
8. Franchise and excise tax credit (add Lines 8a and 8b) ..... (8) 694,933
   a. Franchise tax credit _____
   b. Excise tax credit 694,933
9. Total tax (subtract Line 8 from Line 7) ..... (9) 1,023,554
10. Credit memo balance ..... (10)
11. Penalty (see instructions) ..... (11)
12. Interest (see instructions) ..... (12)
13. Total amount due (add Lines 9, 11, and 12; subtract Line 10) ..... (13)
14. Installment amount (divide Line 9 by 4) (see instructions) ..... (14) 1,023,554

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true, correct, and complete.

Melissa Gullo — Taxpayer's Signature | 07/24/2023 — Date | Vice President — Title

Tax Preparer's Signature | Preparer's PTIN | Date | Telephone

Preparer's Address | City | State | ZIP Code

Preparer's Email Address

FOR OFFICE USE ONLY

TENNESSEE DEPARTMENT OF REVENUE
Gross Receipts Tax Return
Gas, Water, Electric Power, and Light Companies

RV-R0003901 (12/18)

GRO 209

Filing Period: 07.01.2022- 06.30.2023	Reporting Period: 01.01.2021-12.31.2021
Account Number: 340000108	Due Date: 08.01.2022
FEIN/SSN: 62-0529095	

Check if applicable:
Amended return ☐
Remit in installments ☐

Legal Name: Tennessee American Water Company
Mailing Address: ATTN: Tax Dept P.O. Box 2738
City: Camden | State: NJ | ZIP Code: 08101

Remit amount on Line 13 or 14, whichever is applicable to:
Tennessee Department of Revenue
Andrew Jackson State Office Building
500 Deaderick Street
Nashville, TN 37242
You may file your return and payment at www.tn.gov/revenue.

Round to the nearest dollar

Gross Receipts Tax on Gas Distribution

1. Gross receipts from gas distribution in Tennessee	(1)	0.00
2. Tax (multiply Line 1 by the applicable rate)	(2)	0.00

Gross Receipts Tax on Water/Electricity Distribution

3. Gross receipts from water/electricity distribution in Tennessee	(3)	55,088,165.00
4. Exemption amount ($5,000 maximum)	(4)	5,000.00
5. Gross receipts subject to tax (subtract Line 4 from Line 3)	(5)	55,083,165.00
6. Tax (multiply Line 5 by the applicable rate) 3%	(6)	1,652,495.00

Computation of Tax

7. Gross receipts tax (add Lines 2 and 6)	(7)	1,652,495.00
8. Franchise and excise tax credit (add Lines 8a and 8b)	(8)	704,204.00
a. Franchise tax credit 0.00		
b. Excise tax credit 704,204.00		
9. Total tax (subtract Line 8 from Line 7)	(9)	948,291.00
10. Credit memo balance	(10)	
11. Penalty (see instructions)	(11)	0.00
12. Interest (see instructions)	(12)	0.00
13. Total amount due (add Lines 9, 11, and 12; subtract Line 10)	(13)	948,291.00
14. Installment amount (divide Line 9 by 4) (see instructions)	(14)	

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true, correct, and complete.

Taxpayer's Signature	Date	Title
	07.20.2022	Tax Manager

Tax Preparer's Signature	Preparer's PTIN	Date	Telephone

Preparer's Address	City	State	ZIP Code

Preparer's Email Address

FOR OFFICE USE ONLY

TENNESSEE DEPARTMENT OF REVENUE

Gross Receipts Tax Return - Gas, Water, Electric Power, & Light Companies

GRO 209

Taxable Period	Account No.	SSN
Beginning: 7/1/22	0340000108	OR
Ending: 6/30/23	Due Date	FEIN 62-0529095

TENNESSEE AMERICAN WATER
P.O. BOX 2738
CAMDEN, NJ 08101
ATTN: GENERAL TAX DEPT.

Reporting Period

	Month	Day	Year
Beginning:	01	01	2023
Ending	12	31	2023

Please indicate the annual or monthly reporting period

If this is an AMENDED RETURN, please check the box at right } X

Make your check payable to the Tennessee Department of Revenue for the amount shown on Line 16 and mail to:
TENNESSEE DEPARTMENT OF REVENUE
Andrew Jackson State Office Building
500 Deaderick Street, Nashville TN 37242

ROUND TO NEAREST DOLLAR

Gross Receipts Tax on Gas Distribution

1. Gross receipts from gas distribution in Tennessee	(1)	.00
2. Tax (% of Line 1)	(2)	.00
Gross Receipts Tax on Water/Electricity Distribution		
3. Gross receipts from water/electricity distribution in Tennessee	(3)	57,287,904.00
4. Less: Exemption ($5,000 maximum)	(4)	5,000.00
5. Gross receipts subject to tax (Line 3 less Line 4)	(5)	57,282,904.00
6. Tax (% of Line 5)	(6)	1,718,487.00
Computation of Tax		
7. Gross receipts tax (From Lines 2 and/or 6)	(7)	1,718,487.00
8. Less: Franchise tax credit	(8)	.00
9. Less: Excise tax credit	(9)	768,980.00
10. Net tax (Line 7 less Lines 8 and 9)	(10)	949,507.00
11. Less credit amount from previous Department of Revenue notice(s)	(11)	.00
12. Penalty (If filed LATE, compute penalty at 5% of the tax (Line 10 minus Line 11) for each 1 to 30 DAY PERIOD for which TAX IS DELINQUENT (Total penalty not to exceed 25%.) Minimum penalty is $15 regardless of the amount of tax due or whether there is any tax due	(12)	.00
13. Interest (Line 10 minus Line 11 X % per annum on taxes unpaid by the due date)	(13)	.00
14. Total Tax Due (Add Lines 10, 12 and 13, less Line 11 if applicable)	(14)	(74,047).00
15. Installment (¼ of Line 14) **(Only timely annual filers have the option to use this line)**	(15)	.00
16. Total Remittance Amount (Line 14 or Line 15)	(16)	.00

FOR OFFICE USE ONLY

I declare this is a true, complete, and accurate return to the best of my knowledge.

SIGN HERE Melissa Quillo 10/31/23
President or other Principal Officer, Partner or Proprietor Date

SIGN HERE
Tax Return Preparer and Title Date

209340001

RV-R0003901 (12/18)

TENNESSEE DEPARTMENT OF REVENUE
Gross Receipts Tax Return
Gas, Water, Electric Power, and Light Companies

ORIGINAL RETURN

GRO 209

Filing Period	Reporting Period
Account Number 07/1/2022-06/30/2023	Due Date
FEIN/SSN 0340000108	

Check if applicable:
Amended return ☐
Remit in installments ☐

Legal Name 62-0529095

Mailing Address

City Camden | State NJ | ZIP Code 08101

Remit amount on Line 13 or 14, whichever is applicable to:
Tennessee Department of Revenue
Andrew Jackson State Office Building
500 Deaderick Street
Nashville, TN 37242
You may file your return and payment at www.tn.gov/revenue.

Round to the nearest dollar

Gross Receipts Tax on Gas Distribution

1. Gross receipts from gas distribution in Tennessee ..... (1)
2. Tax (multiply Line 1 by the applicable rate) ..... (2)

Gross Receipts Tax on Water/Electricity Distribution

3. Gross receipts from water/electricity distribution in Tennessee ..... (3) 57,287,904
4. Exemption amount ($5,000 maximum) ..... (4) 5000
5. Gross receipts subject to tax (subtract Line 4 from Line 3) ..... (5) 57,282,904
6. Tax (multiply Line 5 by the applicable rate) ..... (6) 1,718,487

Computation of Tax

7. Gross receipts tax (add Lines 2 and 6) ..... (7) 1,718,487
8. Franchise and excise tax credit (add Lines 8a and 8b) ..... (8) 694,933
   a. Franchise tax credit _____
   b. Excise tax credit 694,933
9. Total tax (subtract Line 8 from Line 7) ..... (9) 1,023,554
10. Credit memo balance ..... (10)
11. Penalty (see instructions) ..... (11)
12. Interest (see instructions) ..... (12)
13. Total amount due (add Lines 9, 11, and 12; subtract Line 10) ..... (13) 1,023,554
14. Installment amount (divide Line 9 by 4) (see instructions) ..... (14)

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true, correct, and complete.

Melissa Quillo
Taxpayer's Signature | Date | Title

Tax Preparer's Signature | Preparer's PTIN | Date | Telephone

Preparer's Address | City | State | ZIP Code

Preparer's Email Address

FOR OFFICE USE ONLY

TENNESSEE DEPARTMENT OF REVENUE
Gross Receipts Tax Return - Gas, Water, Electric Power, & Light Companies

GRO 209

Taxable Period	Account No.	SSN / OR / FEIN
Beginning: 07/01/2021	340000108	FEIN 62-0529095
Ending: 06/30/2022	Due Date 08/01/2021	

Reporting Period (Month / Day / Year)
Beginning: 01 / 01 / 2020
Ending: 12 / 31 / 2020
Please indicate the annual or monthly reporting period

TENNESSEE AMERICAN WATER COMPANY
ATTN: TAX DEPARTMENT
P.O. BOX 2738
CAMDEN, NEW JERSEY 08101

If this is an AMENDED RETURN, please check the box at right ☐

Make your check payable to the Tennessee Department of Revenue for the amount shown on Line 16 and mail to:
TENNESSEE DEPARTMENT OF REVENUE
Andrew Jackson State Office Building
500 Deaderick Street, Nashville TN 37242

ROUND TO NEAREST DOLLAR

Gross Receipts Tax on Gas Distribution

1. Gross receipts from gas distribution in Tennessee	(1)	.00
2. Tax (% of Line 1)	(2)	.00

Gross Receipts Tax on Water/Electricity Distribution

3. Gross receipts from water/electricity distribution in Tennessee	(3)	48,243,487.00
4. Less: Exemption ($5,000 maximum)	(4)	5,000.00
5. Gross receipts subject to tax (Line 3 less Line 4)	(5)	48,238,487.00
6. Tax (% of Line 5)	(6)	1,447,155 .00

Computation of Tax

7. Gross receipts tax (From Lines 2 and/or 6)	(7)	1,447,155 .00
8. Less: Franchise tax credit	(8)	.00
9. Less: Excise tax credit	(9)	694,933 .00
10. Net tax (Line 7 less Lines 8 and 9)	(10)	752,222.00
11. Less credit amount from previous Department of Revenue notice(s)	(11)	23,525.00
12. Penalty (If filed LATE, compute penalty at 5% of the tax (Line 10 minus Line 11) for each 1 to 30 DAY PERIOD for which TAX IS DELINQUENT (Total penalty not to exceed 25%.) Minimum penalty is $15 regardless of the amount of tax due or whether there is any tax due	(12)	.00
13. Interest (Line 10 minus Line 11 X % per annum on taxes unpaid by the due date)	(13)	.00
14. Total Tax Due (Add Lines 10, 12 and 13, less Line 11 if applicable)	(14)	728,697.00
15. Installment (¼ of Line 14) **(Only timely annual filers have the option to use this line)**	(15)	.00
16. Total Remittance Amount (Line 14 or Line 15)	(16)	728,697.00

FOR OFFICE USE ONLY

I declare this is a true, complete, and accurate return to the best of my knowledge.
SIGN HERE ➤ President or other Principal Officer, Partner or Proprietor — Date
SIGN HERE ➤ Tax Return Preparer and Title — Date

209340001

RV-R0003901

INTERNET (8-05)

TENNESSEE DEPARTMENT OF REVENUE

Gross Receipts Tax Return - Gas, Water, Electric Power, & Light Companies

GRO 209

Taxable Period	Account No.	SSN
Beginning: 07/01/2021	340000108	OR
Ending: 06/30/2022	Due Date	FEIN 62-0529095

TENNESSE AMERICAN WATER COMPANY
ATTN: TAX DEPARTMENT
P.O. BOX 2738
CAMDEN, NEW JERSEY 08101

Reporting Period (Month / Day / Year)
Beginning: 01 / 01 / 2020
Ending: 12 / 31 / 2020
Please indicate the annual or monthly reporting period

If this is an AMENDED RETURN, please check the box at right: X

Make your check payable to the Tennessee Department of Revenue for the amount shown on Line 16 and mail to:
TENNESSEE DEPARTMENT OF REVENUE
Andrew Jackson State Office Building
500 Deaderick Street, Nashville TN 37242

ROUND TO NEAREST DOLLAR

Gross Receipts Tax on Gas Distribution

1. Gross receipts from gas distribution in Tennessee	(1)	.00
2. Tax (% of Line 1)	(2)	.00

Gross Receipts Tax on Water/Electricity Distribution

3. Gross receipts from water/electricity distribution in Tennessee	(3)	48,183,209.00
4. Less: Exemption ($5,000 maximum)	(4)	5,000.00
5. Gross receipts subject to tax (Line 3 less Line 4)	(5)	48,178,209.00
6. Tax (3 % of Line 5)	(6)	1,445,346.00

Computation of Tax

7. Gross receipts tax (From Lines 2 and/or 6)	(7)	1,445,346.00
8. Less: Franchise tax credit	(8)	.00
9. Less: Excise tax credit	(9)	684,935.00
10. Net tax (Line 7 less Lines 8 and 9)	(10)	760,411.00
11. Less credit amount from previous Department of Revenue notice(s)	(11)	752,222.00
12. Penalty (If filed LATE, compute penalty at 5% of the tax (Line 10 minus Line 11) for each 1 to 30 DAY PERIOD for which TAX IS DELINQUENT (Total penalty not to exceed 25%.) Minimum penalty is $15 regardless of the amount of tax due or whether there is any tax due	(12)	.00
13. Interest (Line 10 minus Line 11 X % per annum on taxes unpaid by the due date)	(13)	.00
14. Total Tax Due (Add Lines 10, 12 and 13, less Line 11 if applicable)	(14)	8,189.00
15. Installment (¼ of Line 14) **(Only timely annual filers have the option to use this line)**	(15)	.00
16. Total Remittance Amount (Line 14 or Line 15)	(16)	.00

FOR OFFICE USE ONLY

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SIGN HERE ➤ _____
President or other Principal Officer, Partner or Proprietor Date

SIGN HERE ➤ _____
Tax Return Preparer and Title Date

209340001

RV-R0003901

INTERNET (8-05)

TENNESSEE DEPARTMENT OF REVENUE
Gross Receipts Tax Return - Gas, Water, Electric Power, & Light Companies

GRO 209

Taxable Period	Account No.	SSN
Beginning: 07/01/2021	340000108	OR
Ending: 06/30/2022	Due Date 08/01/2021	FEIN 62-0529095

Reporting Period (Month / Day / Year)
Beginning: 01 / 01 / 2020
Ending: 12 / 31 / 2020
Please indicate the annual or monthly reporting period

TENNESSEE AMERICAN WATER COMPANY
ATTN: TAX DEPARTMENT
P.O. BOX 2738
CAMDEN, NEW JERSEY 08101

If this is an AMENDED RETURN, please check the box at right ☐

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TENNESSEE DEPARTMENT OF REVENUE
Andrew Jackson State Office Building
500 Deaderick Street, Nashville TN 37242

ROUND TO NEAREST DOLLAR

Gross Receipts Tax on Gas Distribution

1. Gross receipts from gas distribution in Tennessee	(1)	.00
2. Tax (% of Line 1)	(2)	.00
Gross Receipts Tax on Water/Electricity Distribution		
3. Gross receipts from water/electricity distribution in Tennessee	(3)	48,243,487.00
4. Less: Exemption ($5,000 maximum)	(4)	5,000.00
5. Gross receipts subject to tax (Line 3 less Line 4)	(5)	48,238,487.00
6. Tax (% of Line 5)	(6)	1,447,155 .00
Computation of Tax		
7. Gross receipts tax (From Lines 2 and/or 6)	(7)	1,447,155 .00
8. Less: Franchise tax credit	(8)	.00
9. Less: Excise tax credit	(9)	694,933 .00
10. Net tax (Line 7 less Lines 8 and 9)	(10)	752,222.00
11. Less credit amount from previous Department of Revenue notice(s)	(11)	23,525.00
12. Penalty (If filed LATE, compute penalty at 5% of the tax (Line 10 minus Line 11) for each 1 to 30 DAY PERIOD for which TAX IS DELINQUENT (Total penalty not to exceed 25%.) Minimum penalty is $15 regardless of the amount of tax due or whether there is any tax due	(12)	.00
13. Interest (Line 10 minus Line 11 X % per annum on taxes unpaid by the due date)	(13)	.00
14. Total Tax Due (Add Lines 10, 12 and 13, less Line 11 if applicable)	(14)	728,697.00
15. Installment (¼ of Line 14) **(Only timely annual filers have the option to use this line)**	(15)	.00
16. Total Remittance Amount (Line 14 or Line 15)	(16)	728,697.00

FOR OFFICE USE ONLY

I declare this is a true, complete, and accurate return to the best of my knowledge.
SIGN HERE ➤ _____
President or other Principal Officer, Partner or Proprietor Date
SIGN HERE ➤ _____
Tax Return Preparer and Title Date

209340001

2Y5111 1.000
RV-R0011001 (12/22)

1062

TENNESSEE DEPARTMENT OF REVENUE

2022 Franchise and Excise Tax Return

FAE 170

Tax Year Beginning	Account Number
01/01/2022	0317434603
Tax Year Ending	**FEIN**
12/31/2022	62-0529095
NAICS	**SOS Control Number**
221300	000047889

Check all that apply:

- a) Amended return ☐
- b) Final return ☐
- c) Public Law 86-272 applied to excise tax ☐
- d) Taxpayer has made an election to calculate net worth per the provisions of Tenn. Code Ann. § 67-4-2103(g)-(i) ☐
- e) Taxpayer has filed the prescribed form to revoke its election made per Tenn. Code Ann. § 67-4-2103(g)-(i) ☐
- f) Annualized income installment method for quarterly estimates election ☐
- g) Manufacturer single sales factor election ☐
- h) Revoke manufacturer single sales factor election ☐
- i) Taxpayer has filed for federal extension ☒

Legal Name: Tennessee-American Water Company

Mailing Address: PO Box 2738, Attn: Tax Dept.

City: Camden

State: NJ

ZIP Code: 08101-2738

Date Tennessee operations began (see instructions):

Schedule A - Computation of Franchise Tax

Round to the nearest dollar

1.	Total net worth Schedule F1, Line 5 or Schedule F2, Line 3	(1)	230930709
2.	Total real and tangible personal property from Schedule G, Line 15	(2)	307592090
3.	Franchise tax (25¢ per $100 or major fraction thereof on the greater of Lines 1 or 2; minimum $100)	(3)	768980

Schedule B - Computation of Excise Tax

4.	Income subject to excise tax from Schedule J, Line 36	(4)	-1920626
5.	Excise tax (6.5% of Line 4)	(5)	NONE
6.	Recapture of tax credit (Schedule T, Line 13) and additional excise tax on certified distribution sales	(6)	
7.	Total excise tax due (add Lines 5 and 6)	(7)	NONE

Schedule C - Computation of Total Tax Due or Overpayment

8.	Total franchise and excise taxes (add Lines 3 and 7)	(8)	768980
9.	Total credit from Schedule D, Line 9 (cannot exceed Schedule C, Line 8)	(9)	118112
10.	Net tax (subtract Line 9 from Line 8; if Line 9 exceeds Line 8, enter zero here)	(10)	650868
11.	Total payments from Schedule E, Line 7	(11)	1477349
12.	Penalty (see instructions)	(12)	
13.	Interest (see instructions)	(13)	
14.	Penalty on estimated franchise and excise tax payments	(14)	
15.	Interest on estimated franchise and excise tax payments	(15)	
16.	Total amount due (overpaid) (add Lines 10, 12, 13, 14, and 15, subtract Line 11)	(16)	-826481

If overpayment reported on Line 16, complete A and/or B below:

A. Credit to next year's tax $ 826481 B. Refund $ _____

Power of Attorney - Check YES if this taxpayer's signature certifies that this tax preparer has the authority to execute this form on behalf of the taxpayer and is authorized to receive and inspect confidential tax information and to perform any and all acts relating to respective tax matters.

☐ YES

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true, correct, and complete.

Taxpayer's Signature _____ Date 10/13/2023 Title VP - Tax

Tax Preparer's Signature _____ Preparer's PTIN _____ Date _____ Telephone _____

Preparer's Address _____ City _____ State _____ ZIP Code _____

Preparer's Email Address _____

FOR OFFICE USE ONLY

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page 2

Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2022 -12/31/2022	Tennessee-American Water Company	0317434603

Schedule D - Schedule of Credits

1.	Gross Premiums Tax Credit (cannot exceed Schedule C, Line 8)	(1)	
2.	Green Energy Tax Credit from business plans filed prior to July 1, 2015	(2)	
3.	Brownfield Property Credit	(3)	
4.	Broadband Internet Access Tax Credit carryover for service providers	(4)	
5.	Industrial Machinery and Research and Development Tax Credit from Schedule T, Line 11	(5)	118112
6.	Job Tax Credit from Schedule X, Line 46	(6)	
7.	Additional Annual Job Tax Credit from Schedule X, Line 38	(7)	
8.	Qualified Production Credit from Schedule QP, Line 12	(8)	
9.	Total credit (add Lines 1 through 8; enter here and on Schedule C, Line 9)	(9)	118112

Schedule E - Schedule of Required Quarterly Installments and Payments

		Required Quarterly Installments		Amount Paid
1.	Overpayment from previous year, if available		(1)	1227349
2.	First quarterly estimate	(2a)	(2b)	NONE
3.	Second quarterly estimate	(3a)	(3b)	200000
4.	Third quarterly estimate	(4a)	(4b)	50000
5.	Fourth quarterly estimate	(5a)	(5b)	NONE
6.	Extension payment		(6)	NONE
7.	Total payments (add Lines 1 through 6; enter here and on Schedule C, Line 11)		(7)	1477349

Computation of Franchise Tax

Schedule F1 - Non-Consolidated Net Worth

1.	Net worth (total assets less total liabilities)	(1)	136209191
2.	Indebtedness to or guaranteed by parent or affiliated corporation (cannot be a deduction) Stmt. 1	(2)	102280321
3.	Total (add Lines 1 and 2)	(3)	238489512
4.	Franchise tax apportionment ratio (Schedules N, O, P, R or S if applicable or 100%)	(4)	96.830551%
5.	Total (multiply Line 3 by Line 4; enter here and on Schedule A, Line 1)	(5)	230930709

Schedule F2 - Consolidated Net Worth

Schedule F2 is to be completed only if the Consolidated Net Worth Election Registration Application has been filed.

1.	Consolidated net worth (total assets less total liabilities of the affiliated group)	(1)	
2.	Franchise tax apportionment ratio (Schedule 170NC, 170SF or 170SC)	(2)	%
3.	Total (multiply Line 1 by Line 2; enter here and on Schedule A, Line 1)	(3)	

Schedule G - Determination of Real and Tangible Property

Book Value of Property Owned - Cost less accumulated depreciation

			In Tennessee
1.	Land	(1)	3427438
2.	Buildings, leaseholds, and improvements	(2)	303739572
3.	Machinery, equipment, furniture, and fixtures	(3)	
4.	Automobiles and trucks	(4)	
5.	Prepaid supplies and other tangible personal property	(5)	
6.	Ownership share of real and tangible property of a partnership that does not file a return	(6)	
7.	a. Inventories and work in progress	(7a)	
	b. Exempt finished goods inventory in excess of $30 million	(7b)	
8.	Certified pollution control equipment (include copy of certificate) and equipment used to produce electricity at a certified green energy production facility	(8)	
9.	Exempt required capital investment	(9)	
10.	Subtotal (add Lines 1 through 7a, subtract Lines 7b through 9)	(10)	307167010

Rental Value of Property Used but Not Owned

	Net Annual Rental Paid for:	In Tennessee			
11.	Real property	53135	x8	(11)	425080
12.	Machinery and equipment used in manufacturing and processing		x3	(12)	
13.	Furniture, office machinery, and equipment		x2	(13)	
14.	Delivery or mobile equipment		x1	(14)	
15.	Tennessee total (add Lines 10 through 14; enter here and on Schedule A, Line 2)			(15)	307592090

Schedule H - Gross Receipts

1.	Gross receipts or sales per federal income tax return	(1)	60605324

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page 3

Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2022 -12/31/2022	Tennessee-American Water Company	0317434603

Computation of Excise Tax

Schedule J1 - Computation of Net Earnings for Entities Treated as Partnerships

Additions:

1. Ordinary income or loss (federal Form 1065, Line 22) . . . (1)
2. Income items specifically allocated to partners, including guaranteed payments to partners . . . (2)
3. Any net loss or expense distributed to a publicly traded REIT . . . (3)
4. Total additions (add Lines 1 through 3) . . . (4)

Deductions:

5. Expense items specifically allocated to partners not deducted elsewhere . . . (5)
6. Amount subject to self-employment taxes distributable or paid to each partner or member net of any pass-through expense deducted elsewhere on this return (if negative, enter zero) (include on Schedule K, Line 3) . . . (6)
7. Amount of contribution to qualified pension or benefit plans of any partner or member, including all IRC 401 plans (include on Schedule K, Line 3) . . . (7)
8. Any net gain or income distributed to a publicly traded REIT . . . (8)
9. Any loss on the sale of an asset sold within 12 months after the date of distribution . . . (9)
10. Total deductions (add Lines 5 through 9) . . . (10)
11. Total (subtract Line 10 from Line 4; enter here and on Schedule J, Line 1) . . . (11)

Schedule J2 - Computation of Net Earnings for a Single Member LLC Filing as an Individual

Additions:

1. Business Income or loss from federal Form 1040, Schedule C . . . (1)
2. Business Income or loss from federal Form 1040, Schedule D . . . (2)
3. Business Income or loss from federal Form 1040, Schedule E . . . (3)
4. Business Income or loss from federal Form 1040, Schedule F . . . (4)
5. Business Income or loss from federal Form 4797 . . . (5)
6. Other: federal Form _____ , Schedule _____ . . . (6)
7. Total additions (add Lines 1 through 6) . . . (7)

Deductions:

8. Amount subject to self-employment taxes distributable or paid to the single member (if negative, enter zero; include on Schedule K, Line 3) . . . (8)
9. Total (subtract Line 8 from Line 7; enter here and on Schedule J, Line 1) . . . (9)

Schedule J3 - Computation of Net Earnings for Entities Treated as Subchapter S Corporations

Additions:

1. Ordinary income or loss (federal Form 1120S, Line 21) . . . (1)
2. Income items to extent includable in federal income were it not for "S" status election . . . (2)
3. Total additions (add Lines 1 and 2) . . . (3)

Deductions:

4. Expense items to extent includable in federal expenses were it not for "S" status election . . . (4)
5. Any loss on the sale of an asset sold within 12 months after the date of distribution . . . (5)
6. Total deductions (add Lines 4 and 5) . . . (6)
7. Total (subtract Line 6 from Line 3; enter here and on Schedule J, Line 1) . . . (7)

Schedule J4 - Computation of Net Earnings for Entities Treated as Corporations and Other Entities

Additions:

1. Taxable income or loss before net operating loss deduction and special deductions (federal Form 1120, Line 28) . . . (1) 3,058,083
2. a. REIT taxable income before net operating loss deduction and special deductions (federal Form 1120-REIT, Line 20) . . . (2a) _____
   b. REIT deduction for dividends paid (federal Form 1120-REIT, Line 21b) . (2b) _____
   c. REIT taxable income after dividends paid deduction (subtract Line 2b from Line 2a) . . . (2c) _____
3. Unrelated business taxable income (federal Form 990-T, Line 5) . . . (3)
4. Other: federal Form _____ . . . (4)
5. Contribution carryover from prior period(s) . . . (5)
6. Capital gains offset by capital loss carryover or carryback . . . (6)
7. Total additions (add Lines 1 through 6) . . . (7) 3,058,083

Deductions:

8. Contributions in excess of amount allowed by federal government . . . (8)
9. Portion of current year's capital loss not included in federal taxable income . . . (9)
10. Total deductions (add Lines 8 and 9) . . . (10)
11. Total (subtract Line 10 from Line 7; enter here and on Schedule J, Line 1) . . . (11) 3,058,083

1062
page 4

Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2022 -12/31/2022	Tennessee-American Water Company	0317434603

Schedule J - Computation of Net Earnings Subject to Excise Tax

1.	Adjusted federal income or loss (enter amount from Schedule J1, J2, J3, or J4)	(1)	3058083
	Additions:		
2.	Intangible expenses paid, accrued, or incurred to an affiliated business entity or entities deducted for federal income tax purposes	(2)	
3.	Any depreciation under the provisions of IRC Section 168 not permitted for excise tax purposes due to Tennessee permanently decoupling from federal bonus depreciation	(3)	10179624
4.	Gain on the sale of an asset sold within 12 months after the date of distribution to a nontaxable entity	(4)	
5.	Tennessee excise tax expense (to the extent reported for federal income tax purposes)	(5)	-305407
6.	Gross premiums tax deducted in determining federal income and used as an excise tax credit	(6)	
7.	Interest income on obligations of states and their political subdivisions, less allowable amortization	(7)	
8.	Depletion not based on actual recovery of cost	(8)	
9.	Excess fair market value over book value of property donated	(9)	
10.	Excess rent to/from an affiliate	(10)	
11.	Net loss or expense received from a pass-through entity subject to the excise tax (attach schedule)	(11)	
12.	An amount equal to five percent of IRC Section 951A global intangible low-taxed income deducted on Line 27	(12)	
13.	Business interest expense deducted in arriving at the amount reported on Sch. J, Line 1. Only complete if federal Form 8990 was filed. See instructions	(13)	NONE
14.	Research and experimental expenditures deducted under IRC Section 174 in arriving at the amount reported on Sch. J, Line 1	(14)	
15.	Total additions (add Lines 2 through 14)	(15)	9874217
	Deductions:		
16.	Any depreciation under the provisions of IRC Section 168 permitted for excise tax purposes due to Tennessee permanently decoupling from federal bonus depreciation	(16)	11547216
17.	Any excess gain (or loss) from the basis adjustment resulting from Tennessee permanently decoupling from federal bonus depreciation	(17)	
18.	Dividends received from corporations at least 80% owned	(18)	
19.	Donations to qualified public school support groups and nonprofit organizations	(19)	
20.	Any expense other than income taxes not deducted in determining federal taxable income for which a credit against the federal income tax was allowed	(20)	
21.	Adjustments related to the safe harbor lease election (see instructions)	(21)	
22.	Nonbusiness earnings (from Schedule M, Line 8)	(22)	
23.	Intangible expenses paid, accrued, or incurred to an affiliated entity or entities (from Form IE, Line 4) Attach Form IE - Intangible Expense Disclosure	(23)	
24.	Intangible income from an affiliated business entity or entities if the corresponding intangible expenses have not been deducted by the affiliate(s) under Tenn. Code Ann. § 67-4-2006(b)(2)(N)	(24)	
25.	Net gain or income received from a pass-through entity subject to the excise tax (attach schedule)	(25)	
26.	Deductible Grants from governmental units	(26)	
27.	IRC Section 951A global intangible low-taxed income	(27)	
28.	a. Business interest expense currently deductible. See instructions	(28a)	NONE
	b. Business interest expense carryforward available for future tax years	(28b)	
29.	Research and experimental expenditures currently deductible. See instructions	(29)	
30.	Total deductions (add Lines 16 through 29, excluding 28b)	(30)	11547216
	Computation of Taxable Income		
31.	Total business income (loss) (add Lines 1 and 15, subtract Line 30; if loss, enter on Schedule K, Line 1)	(31)	1385084
32.	Excise tax apportionment ratio (Schedules N, O, P, R or S if applicable or 100%)	(32)	96.830551 %
33.	Apportioned business income (loss) (multiply Line 31 by Line 32)	(33)	1341184
34.	Nonbusiness earnings directly allocated to Tennessee (from Schedule M, Line 9)	(34)	
35.	Loss carryover from prior years (from Schedule U)	(35)	3261810
36.	Subject to excise tax (add Line 33 and 34, subtract Line 35; enter here and on Schedule B, Line 4)	(36)	-1920626

2Y5104 1.000

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Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2022 -12/31/2022	Tennessee-American Water Company	0317434603

Schedule K - Determination of Loss Carryover Available

1. Net loss from Schedule J, Line 31 . . . . . (1) _____
   Additions:
2. Amounts reported on Schedule J, Lines 18 and 22 . . . . . (2) _____
3. Amounts reported on Schedule J1, Lines 6 and 7, or Schedule J2, Line 8 . . . . . (3) _____
4. Reduced loss (add Lines 1 through 3; if net amount is positive, enter zero) . . . . . (4) _____
5. Excise tax apportionment ratio (Schedules N, O, P, R or S if applicable or 100%) . . . . . (5) _____ %
6. Current year loss carryover available (multiply Line 4 by Line 5) . . . . . (6) _____

Schedule M - Nonbusiness Earnings Allocation

Allocation and apportionment schedules may be used only by taxpayers doing business outside the state of Tennessee within the meaning of Tenn. Code Ann. §§ 67-4-2010 and 67-4-2110. The burden is on the taxpayer to show that the taxpayer has the right to apportion.

If all earnings are business earnings as defined below, do not complete this schedule. Any nonbusiness earnings, less related expenses, are subject to direct allocation and should be reported in this schedule.

"Business Earnings" - 1) earnings arising from transactions and activity in the regular course of the taxpayer's trade or business, or 2) earnings from tangible and intangible property if the acquisition, use, management, or disposition of the property constitutes an integral part of the taxpayer's regular trade or business operations.
Earnings which arise from the conduct of the trade or trades or business operations of a taxpayer are business earnings, and the taxpayer must show by clear and cogent evidence that particular earnings are classifiable as nonbusiness earnings. A taxpayer may have more than one regular trade or business in determining whether income is business earnings.

"Nonbusiness Earnings" - all earnings other than business earnings

	Description of Nonbusiness Earnings (If further description is necessary, see below)	Gross Amounts	*Less Related Expenses	Net Amounts	Net Amounts Allocated Directly to Tennessee
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.	Total nonbusiness earnings (Enter here and on Schedule J, Line 22)				
9.	Nonbusiness earnings allocated directly (Enter here and on Schedule J, Line 34)				

If necessary, describe source of nonbusiness earnings and explain why such earnings do not constitute business earnings as defined above. Enumerate these items to correspond with items listed above.

*As a general rule, the allowable deductions for expenses of a taxpayer are related to both business and nonbusiness earnings. Items such as administrative costs, taxes, insurance, repairs, maintenance, and depreciation are to be considered. In the absence of evidence to the contrary, it is assumed that the expenses related to nonbusiness rental earnings will be an amount equal to 50% of such earnings and that expenses related to other nonbusiness earnings will be an amount equal to 5% of such earnings (see TENN. COMP. R. & REGS. 1320-06-01.23(3)).

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Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2022 -12/31/2022	Tennessee-American Water Company	0317434603

Schedule N - Apportionment - Standard

Property	In Tennessee		Total Everywhere	
Use original cost of assets	a. Beginning of Taxable Year	b. End of Taxable Year	a. Beginning of Taxable Year	b. End of Taxable Year
1. Land, buildings, leaseholds, and improvements	410973280	435326785	410973280	435326785
2. Machinery, equipment, furniture, and fixtures				
3. Automobiles and trucks				
4. Inventories and work in progress				
5. Prepaid supplies and other property				
6. Ownership share of real and tangible property of a partnership that does not file a return				
7. Excise tax total (add Lines 1 through 6)	a. 410973280	b. 435326785	a. 410973280	b. 435326785
8. Exempt inventory				
9. Franchise tax total (subtract Line 8 from Line 7)	a. 410973280	b. 435326785	a. 410973280	b. 435326785
10. Excise tax average value (add Lines 7(a) & (b), divide by two)		423150033		423150033
11. Franchise tax average value (add Lines 9(a) & (b), divide by two)		423150033		423150033
12. Rented property (rent paid x 8)		425080		425080

Use triple weighted sales factor	a. In Tennessee	b. Total Everywhere	c. Franchise Ratio	d. Excise Ratio
13. Excise tax property factor (add Lines 10 and 12)	423575113	423575113		100.000000 %
14. Franchise tax property factor (add Lines 11 and12)	423575113	423575113	100.000000 %	
15. Payroll factor	8725573	8725573	100.000000 %	100.000000 %
16. Sales factor (business gross receipts)	57742707	60963027	94.717585 %	94.717585 %
17. Total ratios (add Lines 13-15 and (Line 16 x three))			484.152755 %	484.152755 %
18. Apportionment ratio (divide Line 17 by five, or by the number of factors with everywhere values greater than zero) (Enter franchise tax apportionment ratio on Sch. F1, Line 4. Enter excise tax apportionment ratio on Sch. J, Line 32.)			96.830551 %	96.830551 %

Schedule O - Apportionment - Common Carriers (railroads, motor carriers, pipelines and barges)

	In Tennessee	Total Everywhere	Ratio
1. Total franchise mileage (odometer miles)			
2. Tennessee gross intrastate receipts and interstate gross receipts everywhere			%
3. Total ratios (add Lines 1 and 2)			%
4. Apportionment ratio (divide Line 3 by two, or by the number of factors with everywhere values greater than zero) (Enter franchise tax apportionment ratio on Schedule F1, Line 4. Enter excise tax apportionment ratio on Schedule J, Line 32.)			%

Schedule P - Apportionment - Air Carriers

	In Tennessee	Total Everywhere	Ratio
1. Originating revenue			
2. Air miles flown (Include in Tennessee column only air miles flown on flights either originating from or ending in Tennessee or both)			%
3. Total ratios (add Lines 1 and 2)			%
4. Apportionment ratio (divide Line 3 by two, or by the number of factors with everywhere values greater than zero) (Enter franchise tax apportionment ratio on Schedule F1, Line 4. Enter excise tax apportionment ratio on Schedule J, Line 32.)			%

Schedule R - Apportionment - Air Express Carriers

	In Tennessee	Total Everywhere	Ratio
1. Originating revenue			%
2. Air miles flown and ground miles traveled (Include in Tennessee column only air miles flown on flights either originating from or ending in Tennessee or both. Include only ground miles traveled with respect to actual common carriage of persons or property for hire.)			%
3. Total ratios			%
4. Apportionment ratio (divide Line 3 by two, or by the number of factors with everywhere values greater than zero) (Enter franchise tax apportionment ratio on Schedule F1, Line 4. Enter excise tax apportionment ratio on Schedule J, Line 32.)			%

Schedule S - Apportionment - Manufacturer Single Sales Factor

	In Tennessee	Total Everywhere	Ratio
1. Sales factor (business gross receipts) (Enter franchise tax apportionment ratio on Schedule F1, Line 4. Enter excise tax apportionment ratio on Schedule J, Line 32.)			%

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Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2022 -12/31/2022	Tennessee-American Water Company	0317434603

Schedule T - Industrial Machinery and Research and Development Equipment Tax Credit

Part 1: Tax Credit Computation

Franchise and excise taxes may be reduced by a credit on industrial machinery and research and development equipment purchased during the tax period covered by the return and located in Tennessee. The credit is generally computed at 1% of the purchase price of qualified industrial machinery and research and development equipment. The credit taken on any return cannot exceed 50% of the current year's franchise and excise tax liability, but any unused credit may be carried forward 15 years under Tenn. Code Ann. §67-4-2009(3).

1. Purchase price of industrial machinery and research and development equipment	(1)	11811171
2. Percentage allowed (generally 1%*)	(2)	1. %
3. Current year credit (multiply Line 1 by Line 2)	(3)	118112
4. Credit available from prior year(s) (from Schedule V)	(4)	
5. Total credit available (add Lines 3 and 4)	(5)	118112
6. Franchise and excise tax liability before any credits (add Schedule A, Line 3 and Schedule B, Line 5)	(6)	768980
7. Limitation on credit (50% of Line 6)	(7)	384490
8. Franchise and excise tax liability before any credits (add Schedule A, Line 3 and Schedule B, Line 5)	(8)	768980
9. Credits from Schedule D, Lines 1 through 4 and Schedule D, Line 7	(9)	
10. Tax before Industrial Machinery Credit (subtract Line 9 from Line 8)	(10)	768980
11. Amount available in current year (enter the smaller value of Lines 5, 7, or 10 here, and on Schedule D, Line 5)	(11)	118112

Part 2: Recapture of Tax Credit

The Industrial Machinery Tax Credit previously established on this form must be partially recaptured if the equipment on which it was based was sold or removed from the state before the end of the equipment's life as established for federal income tax purposes. The recapture amount is a percentage of useful life remaining at the time of sale or removal multiplied by the credit originally established on this form. Previously established credits have either offset tax or populated the carryover table Schedule V. Complete the Industrial Machinery Credit Recapture Worksheet and then enter the applicable recapture amounts on Lines 12 and 13 below.

12. Reduction to credit carryover table, Schedule V, from recapture worksheet, Part 2, Line 16	(12)	
13. Recapture of credit from recapture worksheet, Part 2, Line 17 (enter here and on Schedule B, Line 6)	(13)	

*The percentage allowed on Part 1, Line 2 above is 1%, unless the taxpayer has met the requirements of Tenn. Code Ann. §67-4-2009(3)(I) and has been approved by the Commissioner of Revenue for an enhanced rate based on the investment amount. The statutory minimum investment requirements and applicable rates for the enhanced credit are shown on the following chart:

Minimum Required Capital Investment	Rate of Credit
$100,000,000	3%
$250,000,000	5%
$500,000,000	7%
$1,000,000,000	10%

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Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2022 -12/31/2022	Tennessee-American Water Company	0317434603

Schedule U - Schedule of Loss Carryover

Year	Period Ended (MM/YY)	Original Return or as Amended	Used in Prior Year(s)	Expired	Loss Carryover Available
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14	12/20	1835591			1835591
15	12/21	1426219			1426219
Total Amount (Enter here and on Schedule J, Line 35)					3261810

Schedule V - Schedule of Industrial Machinery and Research and Development Equipment Credit Carryover

Year	Period Ended (MM/YY)	Original Return or as Amended	Used in Prior Year(s)	Expired or Recaptured	Industrial Machinery Credit Carryover Available
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
Total Amount (Enter here and on Schedule T, Line 4)					

Tennessee-American Water Company 62-0529095

Tennessee Franchise & Excise Tax Return, Page 2 Detail

Sch F1, Ln 2 - Indebtedness to or Guaranteed by Parent or Affiliate

Intercompany Bonds	102,280,321.
Total	102,280,321.

Electronic Filing Information: PDF attachments Included in this Return

Tax Year: 2022
Name: Tennessee-American Wa
Return No: C0002Y62

Jurisdiction: Tennessee
No of Attachments: 2

PDF Attachment Description	PDF File Name	File Size
Form7004Acceptance	C0002Y62_TN_Form7004Acceptance.pdf	74,461
Form7004	C0002Y62_TN_Form7004.pdf	134,826

Electronic Return Acknowledgement

Tax Year 2022 Return No 23695320231015000017

Taxpayer American Water Works Company, Inc. & Subs/Cons 2022

EFIN 236953

Return Identification Number	23695320231015000017
Filing Type Description	Federal Extension
Tax Period Begin Date	01/01/2022
Tax Period End Date	12/31/2022
Return Status	Accepted
Transmission Date and Timestamp	04/11/2023 02:08:18 PM

Electronic Return Acknowledgement

Tax Year 2022 Return No 23695320231015000017

Taxpayer American Water Works Company, Inc. & Subs/Cons 2022

EFIN 236953

Return Identification Number	23695320231015000017
Filing Type Description	Federal Extension
Tax Period Begin Date	01/01/2022
Tax Period End Date	12/31/2022
Return Status	Accepted
Transmission Date and Timestamp	04/11/2023 02:08:18 PM

Form **7004** (Rev. December 2018)
Department of the Treasury
Internal Revenue Service

Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns

▶ File a separate application for each return.
▶ Go to *www.irs.gov/Form7004* for instructions and the latest information.

OMB No. 1545-0233

Print or Type

Name: American Water Works Company, Inc. & Subs
Identifying number: 51-0063696
Number, street, and room or suite no. (If P.O. box, see instructions.): PO Box 2738, Attn: Tax Dept.
City, town, state, and ZIP code (If a foreign address, enter city, province or state, and country (follow the country's practice for entering postal code).): Camden, NJ 08101-2738

Note: File request for extension by the due date of the return. See instructions before completing this form.

Part I **Automatic Extension for Certain Business Income Tax, Information, and Other Returns.** See instructions.

1 Enter the form code for the return listed below that this application is for 12

Application Is For:	Form Code	Application Is For:	Form Code
Form 706-GS(D)	01	Form 1120-ND (section 4951 taxes)	20
Form 706-GS(T)	02	Form 1120-PC	21
Form 1041 (bankruptcy estate only)	03	Form 1120-POL	22
Form 1041 (estate other than a bankruptcy estate)	04	Form 1120-REIT	23
Form 1041 (trust)	05	Form 1120-RIC	24
Form 1041-N	06	Form 1120S	25
Form 1041-QFT	07	Form 1120-SF	26
Form 1042	08	Form 3520-A	27
Form 1065	09	Form 8612	28
Form 1066	11	Form 8613	29
Form 1120	12	Form 8725	30
Form 1120-C	34	Form 8804	31
Form 1120-F	15	Form 8831	32
Form 1120-FSC	16	Form 8876	33
Form 1120-H	17	Form 8924	35
Form 1120-L	18	Form 8928	36
Form 1120-ND	19		

Part II **All Filers Must Complete This Part**

2 If the organization is a foreign corporation that does not have an office or place of business in the United States, check here . . . . . ▶ ☐

3 If the organization is a corporation and is the common parent of a group that intends to file a consolidated return, check here . . . . . ▶ ☒
If checked, attach a statement listing the name, address, and employer identification number (EIN) for each member covered by this application. See Statement 1

4 If the organization is a corporation or partnership that qualifies under Regulations section 1.6081-5, check here . . ▶ ☐

5a The application is for calendar year 20 22 , or tax year beginning _____ , 20 ___ , and ending _____ , 20 ___

b **Short tax year.** If this tax year is less than 12 months, check the reason: ☐ Initial return ☐ Final return
☐ Change in accounting period ☐ Consolidated return to be filed ☐ Other (See instructions - attach explanation)

6	Tentative total tax	6	61,061,352.
7	**Total** payments and credits. See instructions	7	121,464,184.
8	**Balance due.** Subtract line 7 from line 6. See instructions	8	NONE

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Form **7004** (Rev. 12-2018)

JSA
2X0915 1.000

American Water Works Company, Inc. & Subs 51-0063696

Form 7004 - Affiliated Group Members

Name and address of each member of the group	Employer ID
American Water Capital Corp. PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	22-3732448
American Water Works Service Company, Inc. PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	23-1340234
Laurel Oak Properties Corporation PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	20-1022964
E'town Properties, Inc. PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	22-2817018
TWNA, Inc. PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	06-1548192
AW Insurance LLC - Series B PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	84-4174267
AW Insurance LLC - Series C PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	84-4174441
Indiana-American Water Company, Inc. PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	35-0936102
Iowa-American Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	42-0735216

Continued on next page

American Water Works Company, Inc. & Subs 51-0063696

Form 7004 - Affiliated Group Members

Name and address of each member of the group (Cont'd)	Employer ID
Kentucky-American Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	61-0485002
Maryland-American Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	52-0265025
California-American Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	51-0104148
Michigan-American Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	38-1657784
Missouri-American Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	44-0578460
New Jersey-American Water Company, Inc. PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	22-1546642
Environmental Disposal Corporation PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	22-2391983
Pennsylvania-American Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	25-1008096
Illinois-American Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	51-0105894

Continued on next page

American Water Works Company, Inc. & Subs 51-0063696

Form 7004 - Affiliated Group Members

Name and address of each member of the group (Cont'd)	Employer ID
American Lake Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	06-1396121
Tennessee-American Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	62-0529095
Virginia-American Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	54-0119650
West Virginia-American Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	55-0307487
Bluefield Valley Water Works Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	66-6022466
Hawaii-American Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	99-0108667
New York American Water Company Inc. PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	11-1516966
Mt. Ebo Sewage Works, Inc. PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	13-3223856
Edison Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	22-3519296

Continued on next page

American Water Works Company, Inc. & Subs 51-0063696

Form 7004 - Affiliated Group Members

Name and address of each member of the group (Cont'd)	Employer ID
Liberty Water Company PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	22-3596293
American Water Services CDM, Inc. PO Box 2738, Attn: Tax Dept. Camden, NJ 08101-2738	91-1745331

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RV-R0011001 (9/21)

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TENNESSEE DEPARTMENT OF REVENUE

2021 Franchise and Excise Tax Return

FAE 170

Tax Year Beginning	Account Number
01/01/2021	0317434603
Tax Year Ending	**FEIN**
12/31/2021	62-0529095
NAICS	**SOS Control Number**
221300	000047889

Check all that apply:

- a) Amended return ☐
- b) Final return ☐
- c) Public Law 86-272 applied to excise tax ☐
- d) Taxpayer has made an election to calculate net worth per the provisions of Tenn. Code Ann. § 67-4-2103(g)-(i) ☐
- e) Taxpayer has filed the prescribed form to revoke its election made per Tenn. Code Ann. § 67-4-2103(g)-(i) ☐
- f) Annualized income installment method for quarterly estimates election ☐
- g) Manufacturer single sales factor election ☐
- h) Taxpayer has filed for federal extension ☒

Date Tennessee operations began (see instructions)

Legal Name	
Tennessee-American Water Company	
Mailing Address	
PO Box 2738, Attn: Tax Dept.	
City	
Camden	
State	**ZIP Code**
NJ	08101-2738

Schedule A - Computation of Franchise Tax

Round to the nearest dollar

1.	Total net worth Schedule F1, Line 5 or Schedule F2, Line 3	(1)	203295815
2.	Total real and tangible personal property from Schedule G, Line 15	(2)	291533383
3.	Franchise tax (25¢ per $100 or major fraction thereof on the greater of Lines 1 or 2; minimum $100)	(3)	728833

Schedule B - Computation of Excise Tax

4.	Income subject to excise tax from Schedule J, Line 34	(4)	-3261810
5.	Excise tax (6.5% of Line 4)	(5)	NONE
6.	Recapture of tax credit (Schedule T, Line 13) and additional excise tax on certified distribution sales	(6)	
7.	Total excise tax due (add Lines 5 and 6)	(7)	NONE

Schedule C - Computation of Total Tax Due or Overpayment

8.	Total franchise and excise taxes (add Lines 3 and 7)	(8)	728833
9.	Total credit from Schedule D, Line 10 (cannot exceed Schedule C, Line 8)	(9)	191974
10.	Net tax (subtract Line 9 from Line 8; if Line 9 exceeds Line 8, enter zero here)	(10)	536859
11.	Total payments from Schedule E, Line 7	(11)	1764208
12.	Penalty (see instructions)	(12)	
13.	Interest (see instructions)	(13)	
14.	Penalty on estimated franchise and excise tax payments	(14)	
15.	Interest on estimated franchise and excise tax payments	(15)	
16.	Total amount due (overpaid) (add Lines 10, 12, 13, 14, and 15, subtract Line 11)	(16)	-1227349

If overpayment reported on Line 16, complete A and/or B below:

A. Credit to next year's tax $ 1227349 B. Refund $ _____

Power of Attorney - Check YES if this taxpayer's signature certifies that this tax preparer has the authority to execute this form on behalf of the taxpayer and is authorized to receive and inspect confidential tax information and to perform any and all acts relating to respective tax matters.

☐ YES

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true, correct, and complete.

Taxpayer's Signature	Date	Title
	10/12/2022	Ass't Comptroller

Tax Preparer's Signature	Preparer's PTIN	Date	Telephone

Preparer's Address	City	State	ZIP Code

Preparer's Email Address _____

FOR OFFICE USE ONLY

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page 2

Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2021 -12/31/2021	Tennessee-American Water Company	0317434603

Schedule D - Schedule of Credits

1.	Gross Premiums Tax Credit (cannot exceed Schedule C, Line 8)	(1)	
2.	Tennessee income tax (cannot exceed Schedule B, Line 5)	(2)	
3.	Green Energy Tax Credit from business plans filed prior to July 1, 2015	(3)	
4.	Brownfield Property Credit	(4)	
5.	Broadband Internet Access Tax Credit carryover for service providers	(5)	
6.	Industrial Machinery and Research and Development Tax Credit from Schedule T, Line 11	(6)	191974
7.	Job Tax Credit from Schedule X, Line 46	(7)	
8.	Additional Annual Job Tax Credit from Schedule X, Line 38	(8)	
9.	Qualified Production Credit from Schedule QP, Line 12	(9)	
10.	Total credit (add Lines 1 through 9; enter here and on Schedule C, Line 9)	(10)	191974

Schedule E - Schedule of Required Quarterly Installments and Payments

		Required Quarterly Installments		Amount Paid
1.	Overpayment from previous year, if available		(1)	1214208
2.	First quarterly estimate	(2a)	(2b)	NONE
3.	Second quarterly estimate	(3a)	(3b)	NONE
4.	Third quarterly estimate	(4a)	(4b)	NONE
5.	Fourth quarterly estimate	(5a)	(5b)	NONE
6.	Extension payment		(6)	550000
7.	Total payments (add Lines 1 through 6; enter here and on Schedule C, Line 11)		(7)	1764208

Computation of Franchise Tax

Schedule F1 - Non-Consolidated Net Worth

1.	Net worth (total assets less total liabilities)	(1)	112747369
2.	Indebtedness to or guaranteed by parent or affiliated corporation (cannot be a deduction) Stmt 1	(2)	97280321
3.	Total (add Lines 1 and 2)	(3)	210027690
4.	Franchise tax apportionment ratio (Schedules N, O, P, R or S if applicable or 100%)	(4)	96.794768 %
5.	Total (multiply Line 3 by Line 4; enter here and on Schedule A, Line 1)	(5)	203295815

Schedule F2 - Consolidated Net Worth

Schedule F2 is to be completed only if the Consolidated Net Worth Election Registration Application has been filed.

1.	Consolidated net worth (total assets less total liabilities of the affiliated group)	(1)	
2.	Franchise tax apportionment ratio (Schedule 170NC, 170SF or 170SC)	(2)	%
3.	Total (multiply Line 1 by Line 2; enter here and on Schedule A, Line 1)	(3)	

Schedule G - Determination of Real and Tangible Property

Book Value of Property Owned - Cost less accumulated depreciation

			In Tennessee
1.	Land	(1)	2531348
2.	Buildings, leaseholds, and improvements	(2)	288167587
3.	Machinery, equipment, furniture, and fixtures	(3)	
4.	Automobiles and trucks	(4)	
5.	Prepaid supplies and other tangible personal property	(5)	
6.	Ownership share of real and tangible property of a partnership that does not file a return	(6)	
7.	a. Inventories and work in progress	(7a)	
	b. Exempt finished goods inventory in excess of $30 million	(7b)	
8.	Certified pollution control equipment (include copy of certificate) and equipment used to produce electricity at a certified green energy production facility	(8)	
9.	Exempt required capital investment	(9)	
10.	Subtotal (add Lines 1 through 7a, subtract Lines 7b through 9)	(10)	290698935

Rental Value of Property Used but Not Owned

	Net Annual Rental Paid for:	In Tennessee			
11.	Real property	104306	x8	(11)	834448
12.	Machinery and equipment used in manufacturing and processing		x3	(12)	
13.	Furniture, office machinery, and equipment		x2	(13)	
14.	Delivery or mobile equipment		x1	(14)	
15.	Tennessee total (add Lines 10 through 14; enter here and on Schedule A, Line 2)			(15)	291533383

Schedule H - Gross Receipts

1.	Gross receipts or sales per federal income tax return	(1)	58597760

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Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2021 -12/31/2021	Tennessee-American Water Company	0317434603

Computation of Excise Tax

Schedule J1 - Computation of Net Earnings for Entities Treated as Partnerships

Additions:

1. Ordinary income or loss (federal Form 1065, Line 22) . . . (1)
2. Income items specifically allocated to partners, including guaranteed payments to partners . . . (2)
3. Any net loss or expense distributed to a publicly traded REIT . . . (3)
4. Total additions (add Lines 1 through 3) . . . (4)

Deductions:

5. Expense items specifically allocated to partners not deducted elsewhere . . . (5)
6. Amount subject to self-employment taxes distributable or paid to each partner or member net of any pass-through expense deducted elsewhere on this return (if negative, enter zero) (include on Schedule K, Line 3) . . . (6)
7. Amount of contribution to qualified pension or benefit plans of any partner or member, including all IRC 401 plans (include on Schedule K, Line 3) . . . (7)
8. Any net gain or income distributed to a publicly traded REIT . . . (8)
9. Any loss on the sale of an asset sold within 12 months after the date of distribution . . . (9)
10. Total deductions (add Lines 5 through 9) . . . (10)
11. Total (subtract Line 10 from Line 4; enter here and on Schedule J, Line 1) . . . (11)

Schedule J2 - Computation of Net Earnings for a Single Member LLC Filing as an Individual

Additions:

1. Business Income or loss from federal Form 1040, Schedule C . . . (1)
2. Business Income or loss from federal Form 1040, Schedule D . . . (2)
3. Business Income or loss from federal Form 1040, Schedule E . . . (3)
4. Business Income or loss from federal Form 1040, Schedule F . . . (4)
5. Business Income or loss from federal Form 4797 . . . (5)
6. Other: federal Form _____ , Schedule _____ . . . (6)
7. Total additions (add Lines 1 through 6) . . . (7)

Deductions:

8. Amount subject to self-employment taxes distributable or paid to the single member (if negative, enter zero; include on Schedule K, Line 3) . . . (8)
9. Total (subtract Line 8 from Line 7; enter here and on Schedule J, Line 1) . . . (9)

Schedule J3 - Computation of Net Earnings for Entities Treated as Subchapter S Corporations

Additions:

1. Ordinary income or loss (federal Form 1120S, Line 21) . . . (1)
2. Income items to extent includable in federal income were it not for "S" status election . . . (2)
3. Total additions (add Lines 1 and 2) . . . (3)

Deductions:

4. Expense items to extent includable in federal expenses were it not for "S" status election . . . (4)
5. Any loss on the sale of an asset sold within 12 months after the date of distribution . . . (5)
6. Total deductions (add Lines 4 and 5) . . . (6)
7. Total (subtract Line 6 from Line 3; enter here and on Schedule J, Line 1) . . . (7)

Schedule J4 - Computation of Net Earnings for Entities Treated as Corporations and Other Entities

Additions:

1. Taxable income or loss before net operating loss deduction and special deductions (federal Form 1120, Line 28) . . . (1) -260,057
2. a. REIT taxable income before net operating loss deduction and special deductions (federal Form 1120-REIT, Line 20) . . . (2a)
   b. REIT deduction for dividends paid (federal Form 1120-REIT, Line 21b) . (2b)
   c. REIT taxable income after dividends paid deduction (subtract Line 2b from Line 2a) . . . (2c)
3. Unrelated business taxable income (federal Form 990-T, Line 5) . . . (3)
4. Other: federal Form _____ . . . (4)
5. Contribution carryover from prior period(s) . . . (5)
6. Capital gains offset by capital loss carryover or carryback . . . (6)
7. Total additions (add Lines 1 through 6) . . . (7) -260,057

Deductions:

8. Contributions in excess of amount allowed by federal government . . . (8)
9. Portion of current year's capital loss not included in federal taxable income . . . (9)
10. Total deductions (add Lines 8 and 9) . . . (10)
11. Total (subtract Line 10 from Line 7; enter here and on Schedule J, Line 1) . . . (11) -260,057

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Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2021 -12/31/2021	Tennessee-American Water Company	0317434603

Schedule J - Computation of Net Earnings Subject to Excise Tax

1.	Adjusted federal income or loss (enter amount from Schedule J1, J2, J3, or J4)	(1)	-260057
	Additions:		
2.	Intangible expenses paid, accrued, or incurred to an affiliated business entity or entities deducted for federal income tax purposes	(2)	
3.	Any depreciation under the provisions of IRC Section 168 not permitted for excise tax purposes due to Tennessee permanently decoupling from federal bonus depreciation	(3)	9345376
4.	Gain on the sale of an asset sold within 12 months after the date of distribution to a nontaxable entity	(4)	
5.	Tennessee excise tax expense (to the extent reported for federal income tax purposes)	(5)	144074
6.	Gross premiums tax deducted in determining federal income and used as an excise tax credit	(6)	
7.	Interest income on obligations of states and their political subdivisions, less allowable amortization	(7)	
8.	Depletion not based on actual recovery of cost	(8)	
9.	Excess fair market value over book value of property donated	(9)	
10.	Excess rent to/from an affiliate	(10)	
11.	Net loss or expense received from a pass-through entity subject to the excise tax (attach schedule)	(11)	
12.	An amount equal to five percent of IRC Section 951A global intangible low-taxed income deducted on Line 26	(12)	
13.	Business interest expense deducted in arriving at the amount reported on Sch. J, Line 1. Only complete if federal Form 8990 was filed. See instructions	(13)	NONE
14.	Total additions (add Lines 2 through 13)	(14)	9489450
	Deductions:		
15.	Any depreciation under the provisions of IRC Section 168 permitted for excise tax purposes due to Tennessee permanently decoupling from federal bonus depreciation	(15)	10702839
16.	Any excess gain (or loss) from the basis adjustment resulting from Tennessee permanently decoupling from federal bonus depreciation	(16)	
17.	Dividends received from corporations at least 80% owned	(17)	
18.	Donations to qualified public school support groups and nonprofit organizations	(18)	
19.	Any expense other than income taxes not deducted in determining federal taxable income for which a credit against the federal income tax was allowed	(19)	
20.	Adjustments related to the safe harbor lease election (see instructions)	(20)	
21.	Nonbusiness earnings (from Schedule M, Line 8)	(21)	
22.	Intangible expenses paid, accrued, or incurred to an affiliated entity or entities (from Form IE, Line 4) Attach Form IE - Intangible Expense Disclosure	(22)	
23.	Intangible income from an affiliated business entity or entities if the corresponding intangible expenses have not been deducted by the affiliate(s) under Tenn. Code Ann. § 67-4-2006(b)(2)(N)	(23)	
24.	Net gain or income received from a pass-through entity subject to the excise tax (attach schedule)	(24)	
25.	Deductible Grants from governmental units and Eligible Relief Payments Received	(25)	
26.	IRC Section 951A global intangible low-taxed income	(26)	
27.	a. Business interest expense currently deductible. See instructions	(27a)	NONE
	b. Business interest expense carryforward available for future tax years	(27b)	
28.	Total deductions (add Lines 15 through 27a)	(28)	10702839
	Computation of Taxable Income		
29.	Total business income (loss) (add Lines 1 and 14, subtract Line 28; if loss, enter on Schedule K, Line 1)	(29)	-1473446
30.	Excise tax apportionment ratio (Schedules N, O, P, R or S if applicable or 100%)	(30)	96.794768 %
31.	Apportioned business income (loss) (multiply Line 29 by Line 30)	(31)	-1426219
32.	Nonbusiness earnings directly allocated to Tennessee (from Schedule M, Line 9)	(32)	
33.	Loss carryover from prior years (from Schedule U)	(33)	1835591
34.	Subject to excise tax (add Line 31 and 32, subtract Line 33; enter here and on Schedule B, Line 4)	(34)	-3261810

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Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2021 - 12/31/2021	Tennessee-American Water Company	0317434603

Schedule K - Determination of Loss Carryover Available

1.	Net loss from Schedule J, Line 29	(1)	-1473446
	Additions:		
2.	Amounts reported on Schedule J, Lines 17 and 21	(2)	
3.	Amounts reported on Schedule J1, Lines 6 and 7, or Schedule J2, Line 8	(3)	
4.	Reduced loss (add Lines 1 through 3; if net amount is positive, enter zero)	(4)	-1473446
5.	Excise tax apportionment ratio (Schedules N, O, P, R or S if applicable or 100%)	(5)	96.794768 %
6.	Current year loss carryover available (multiply Line 4 by Line 5)	(6)	-1426219

Schedule M - Nonbusiness Earnings Allocation

Allocation and apportionment schedules may be used only by taxpayers doing business outside the state of Tennessee within the meaning of Tenn. Code Ann. §§ 67-4-2010 and 67-4-2110. The burden is on the taxpayer to show that the taxpayer has the right to apportion.

If all earnings are business earnings as defined below, do not complete this schedule. Any nonbusiness earnings, less related expenses, are subject to direct allocation and should be reported in this schedule.

"Business Earnings" - 1) earnings arising from transactions and activity in the regular course of the taxpayer's trade or business, or 2) earnings from tangible and intangible property if the acquisition, use, management, or disposition of the property constitutes an integral part of the taxpayer's regular trade or business operations.
Earnings which arise from the conduct of the trade or trades or business operations of a taxpayer are business earnings, and the taxpayer must show by clear and cogent evidence that particular earnings are classifiable as nonbusiness earnings. A taxpayer may have more than one regular trade or business in determining whether income is business earnings.

"Nonbusiness Earnings" - all earnings other than business earnings

	Description of Nonbusiness Earnings (If further description is necessary, see below)	Gross Amounts	*Less Related Expenses	Net Amounts	Net Amounts Allocated Directly to Tennessee
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.	Total nonbusiness earnings (Enter here and on Schedule J, Line 21)				
9.	Nonbusiness earnings allocated directly (Enter here and on Schedule J, Line 32)				

If necessary, describe source of nonbusiness earnings and explain why such earnings do not constitute business earnings as defined above. Enumerate these items to correspond with items listed above.

*As a general rule, the allowable deductions for expenses of a taxpayer are related to both business and nonbusiness earnings. Items such as administrative costs, taxes, insurance, repairs, maintenance, and depreciation are to be considered. In the absence of evidence to the contrary, it is assumed that the expenses related to nonbusiness rental earnings will be an amount equal to 50% of such earnings and that expenses related to other nonbusiness earnings will be an amount equal to 5% of such earnings (see TENN. COMP. R. & REGS. 1320-06-01.23(3)).

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Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2021 12/31/2021	Tennessee-American Water Company	0317434603

Schedule N - Apportionment - Standard

Property	In Tennessee		Total Everywhere	
Use original cost of assets	a. Beginning of Taxable Year	b. End of Taxable Year	a. Beginning of Taxable Year	b. End of Taxable Year
1. Land, buildings, leaseholds, and improvements	383409676	410973280	383409676	410973280
2. Machinery, equipment, furniture, and fixtures				
3. Automobiles and trucks				
4. Inventories and work in progress				
5. Prepaid supplies and other property				
6. Ownership share of real and tangible property of a partnership that does not file a return				
7. Excise tax total (add Lines 1 through 6)	a. 383409676	b. 410973280	a. 383409676	b. 410973280
8. Exempt inventory				
9. Franchise tax total (subtract Line 8 from Line 7)	a. 383409676	b. 410973280	a. 383409676	b. 410973280
10. Excise tax average value (add Lines 7(a) & (b), divide by two)		397191478		397191478
11. Franchise tax average value (add Lines 9(a) & (b), divide by two)		397191478		397191478
12. Rented property (rent paid x 8)		834448		834448

Use triple weighted sales factor	a. In Tennessee	b. Total Everywhere	c. Franchise Ratio	d. Excise Ratio
13. Excise tax property factor (add Lines 10 and 12)	398025926	398025926		100.000000 %
14. Franchise tax property factor (add Lines 11 and12)	398025926	398025926	100.000000%	
15. Payroll factor	8828952	8828952	100.000000%	100.000000 %
16. Sales factor (business gross receipts)	55772712	58920264	94.657947%	94.657947 %
17. Total ratios (add Lines 13-15 and (Line 16 x three))			483.973841%	483.973841 %
18. Apportionment ratio (divide Line 17 by five, or by the number of factors with everywhere values greater than zero) (Enter franchise tax apportionment ratio on Sch. F1, Line 4. Enter excise tax apportionment ratio on Sch. J, Line 30.)			96.794768%	96.794768 %

Schedule O - Apportionment - Common Carriers (railroads, motor carriers, pipelines and barges)

	In Tennessee	Total Everywhere	Ratio
1. Total franchise mileage (odometer miles)			
2. Tennessee gross intrastate receipts and interstate gross receipts everywhere			%
3. Total ratios (add Lines 1 and 2)			%
4. Apportionment ratio (divide Line 3 by two, or by the number of factors with everywhere values greater than zero) (Enter franchise tax apportionment ratio on Schedule F1, Line 4. Enter excise tax apportionment ratio on Schedule J, Line 30.)			%

Schedule P - Apportionment - Air Carriers

	In Tennessee	Total Everywhere	Ratio
1. Originating revenue			
2. Air miles flown (Include in Tennessee column only air miles flown on flights either originating from or ending in Tennessee or both)			%
3. Total ratios (add Lines 1 and 2)			%
4. Apportionment ratio (divide Line 3 by two, or by the number of factors with everywhere values greater than zero) (Enter franchise tax apportionment ratio on Schedule F1, Line 4. Enter excise tax apportionment ratio on Schedule J, Line 30.)			%

Schedule R - Apportionment - Air Express Carriers

	In Tennessee	Total Everywhere	Ratio
1. Originating revenue			%
2. Air miles flown and ground miles traveled (Include in Tennessee column only air miles flown on flights either originating from or ending in Tennessee or both. Include only ground miles traveled with respect to actual common carriage of persons or property for hire.)			%
3. Total ratios			%
4. Apportionment ratio (divide Line 3 by two, or by the number of factors with everywhere values greater than zero) (Enter franchise tax apportionment ratio on Schedule F1, Line 4. Enter excise tax apportionment ratio on Schedule J, Line 30.)			%

Schedule S - Apportionment - Manufacturer Single Sales Factor

	In Tennessee	Total Everywhere	Ratio
1. Sales factor (business gross receipts) (Enter franchise tax apportionment ratio on Schedule F1, Line 4. Enter excise tax apportionment ratio on Schedule J, Line 30.)			%

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Taxable Year	Taxpayer Name	Account No./FEIN
12/31/2021	Tennessee-American Water Company	0317434603

Schedule T - Industrial Machinery and Research and Development Equipment Tax Credit

Part 1: Tax Credit Computation

Franchise and excise taxes may be reduced by a credit on industrial machinery and research and development equipment purchased during the tax period covered by the return and located in Tennessee. The credit is generally computed at 1% of the purchase price of qualified industrial machinery and research and development equipment. The credit taken on any return cannot exceed 50% of the current year's franchise and excise tax liability, but any unused credit may be carried forward 15 years under Tenn. Code Ann. §67-4-2009(3).

1. Purchase price of industrial machinery and research and development equipment	(1)	19197376
2. Percentage allowed (generally 1%*)	(2)	1. %
3. Current year credit (multiply Line 1 by Line 2)	(3)	191974
4. Credit available from prior year(s) (from Schedule V)	(4)	
5. Total credit available (add Lines 3 and 4)	(5)	191974
6. Franchise and excise tax liability before any credits (add Schedule A, Line 3 and Schedule B, Line 5)	(6)	728833
7. Limitation on credit (50% of Line 6)	(7)	364417
8. Franchise and excise tax liability before any credits (add Schedule A, Line 3 and Schedule B, Line 5)	(8)	728833
9. Credits from Schedule D, Lines 1 through 5 and Schedule D, Line 8	(9)	
10. Tax before Industrial Machinery Credit (subtract Line 9 from Line 8)	(10)	728833
11. Amount available in current year (enter the smaller value of Lines 5, 7, or 10 here, and on Schedule D, Line 6)	(11)	191974

Part 2: Recapture of Tax Credit

The Industrial Machinery Tax Credit previously established on this form must be partially recaptured if the equipment on which it was based was sold or removed from the state before the end of the equipment's life as established for federal income tax purposes. The recapture amount is a percentage of useful life remaining at the time of sale or removal multiplied by the credit originally established on this form. Previously established credits have either offset tax or populated the carryover table Schedule V. Complete the Industrial Machinery Credit Recapture Worksheet and then enter the applicable recapture amounts on Lines 12 and 13 below.

12. Reduction to credit carryover table, Schedule V, from recapture worksheet, Part 2, Line 16	(12)	
13. Recapture of credit from recapture worksheet, Part 2, Line 17 (enter here and on Schedule B, Line 6)	(13)	

*The percentage allowed on Part 1, Line 2 above is 1%, unless the taxpayer has met the requirements of Tenn. Code Ann. §67-4-2009(3)(I) and has been approved by the Commissioner of Revenue for an enhanced rate based on the investment amount. The statutory minimum investment requirements and applicable rates for the enhanced credit are shown on the following chart:

Minimum Required Capital Investment	Rate of Credit
$100,000,000	3%
$250,000,000	5%
$500,000,000	7%
$1,000,000,000	10%

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Taxable Year -	Taxpayer Name	Account No./FEIN
01/01/2021 12/31/2021	Tennessee-American Water Company	0317434603

Schedule U - Schedule of Loss Carryover

Year	Period Ended (MM/YY)	Original Return or as Amended	Used in Prior Year(s)	Expired	Loss Carryover Available
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15	12/20	1835591			1835591
Total Amount (Enter here and on Schedule J, Line 33)					1835591

Schedule V - Schedule of Industrial Machinery and Research and Development Equipment Credit Carryover

Year	Period Ended (MM/YY)	Original Return or as Amended	Used in Prior Year(s)	Expired or Recaptured	Industrial Machinery Credit Carryover Available
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
Total Amount (Enter here and on Schedule T, Line 4)					

Tennessee-American Water Company 62-0529095

Tennessee Franchise & Excise Tax Return, Page 2 Detail

Sch F1, Ln 2 - Indebtedness to or Guaranteed by Parent or Affiliate

Intercompany Bonds	97,280,321.
Total	97,280,321.

0Y5111 1.000
RV-R0011001 (8/20)

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TENNESSEE DEPARTMENT OF REVENUE

Franchise and Excise Tax Return

FAE 170

Tax Year Beginning	Account Number
01/01/2020	0317434603
Tax Year Ending	**FEIN**
12/31/2020	62-0529095
NAICS	**SOS Control Number**
221300	

Check all that apply:

- a) Amended return ☐
- b) Final return ☐
- c) Public Law 86-272 applied to excise tax ☐
- d) Taxpayer has made an election to calculate net worth per the provisions of Tenn. Code Ann. § 67-4-2103(g)-(i) ☐
- e) Taxpayer has filed the prescribed form to revoke its election made per Tenn. Code Ann. § 67-4-2103(g)-(i) ☐
- f) Annualized income installment method for quarterly estimates election ☐
- g) Manufacturer single sales factor election ☐
- h) Taxpayer has filed for federal extension ☒

Date Tennessee operations began (see instructions)

Legal Name	
Tennessee-American Water Company	
Mailing Address	
PO Box 2738, Attn: Tax Dept.	
City	
Camden	
State	**ZIP Code**
NJ	08101-2738

Schedule A - Computation of Franchise Tax

Round to the nearest dollar

1.	Total net worth Schedule F1, Line 5 or Schedule F2, Line 3	(1)	171759124
2.	Total real and tangible personal property from Schedule G, Line 15	(2)	273974182
3.	Franchise tax (25¢ per $100 or major fraction thereof on the greater of Lines 1 or 2; minimum $100)	(3)	684935

Schedule B - Computation of Excise Tax

4.	Income subject to excise tax from Schedule J, Line 34	(4)	-1835591
5.	Excise tax (6.5% of Line 4)	(5)	NONE
6.	Recapture of tax credit (Schedule T, Line 13) and additional excise tax on certified distribution sales	(6)	
7.	Total excise tax due (add Lines 5 and 6)	(7)	NONE

Schedule C - Computation of Total Tax Due or Overpayment

8.	Total franchise and excise taxes (add Lines 3 and 7)	(8)	684935
9.	Total credit from Schedule D, Line 9 (cannot exceed Schedule C, Line 8)	(9)	180998
10.	Net tax (subtract Line 9 from Line 8; if Line 9 exceeds Line 8, enter zero here)	(10)	503937
11.	Total payments from Schedule E, Line 7	(11)	1718145
12.	Penalty (see instructions)	(12)	
13.	Interest (see instructions)	(13)	
14.	Penalty on estimated franchise and excise tax payments	(14)	
15.	Interest on estimated franchise and excise tax payments	(15)	
16.	Total amount due (overpaid) (add Lines 10, 12, 13, 14, and 15, subtract Line 11)	(16)	-1214208

If overpayment reported on Line 16, complete A and/or B below:

A. Credit to next year's tax $ 1214208 B. Refund $ _____

Power of Attorney - Check YES if this taxpayer's signature certifies that this tax preparer has the authority to execute this form on behalf of the taxpayer and is authorized to receive and inspect confidential tax information and to perform any and all acts relating to respective tax matters.

☐ YES

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true, correct, and complete.

Taxpayer's Signature	Date	Title
	10/13/2021	VP - Tax

Tax Preparer's Signature	Preparer's PTIN	Date	Telephone

Preparer's Address	City	State	ZIP Code

Preparer's Email Address _____

FOR OFFICE USE ONLY

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Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2020 -12/31/2020	Tennessee-American Water Company	0317434603

Schedule D - Schedule of Credits

1.	Gross Premiums Tax Credit (cannot exceed Schedule C, Line 8)	(1)	
2.	Tennessee income tax (cannot exceed Schedule B, Line 5)	(2)	
3.	Green Energy Tax Credit from business plans filed prior to July 1, 2015	(3)	
4.	Brownfield Property Credit	(4)	
5.	Broadband Internet Access Tax Credit carryover for service providers	(5)	
6.	Industrial Machinery and Research and Development Tax Credit from Schedule T, Line 11	(6)	180998
7.	Job Tax Credit from Schedule X, Line 46	(7)	
8.	Additional Annual Job Tax Credit from Schedule X, Line 38	(8)	
9.	Total credit (add Lines 1 through 8; enter here and on Schedule C, Line 9)	(9)	180998

Schedule E - Schedule of Required Quarterly Installments and Payments

		Required Quarterly Installments		Amount Paid
1.	Overpayment from previous year, if available		(1)	968145
2.	First quarterly estimate	(2a)	(2b)	NONE
3.	Second quarterly estimate	(3a)	(3b)	350000
4.	Third quarterly estimate	(4a)	(4b)	400000
5.	Fourth quarterly estimate	(5a)	(5b)	NONE
6.	Extension payment		(6)	NONE
7.	Total payments (add Lines 1 through 6; enter here and on Schedule C, Line 11)		(7)	1718145

Computation of Franchise Tax

Schedule F1 - Non-Consolidated Net Worth

1.	Net worth (total assets less total liabilities)	(1)	95270496
2.	Indebtedness to or guaranteed by parent or affiliated corporation (cannot be a deduction) Stmt 1	(2)	82280321
3.	Total (add Lines 1 and 2)	(3)	177550817
4.	Franchise tax apportionment ratio (Schedules N, O, P, R or S if applicable or 100%)	(4)	96.738008 %
5.	Total (multiply Line 3 by Line 4; enter here and on Schedule A, Line 1)	(5)	171759124

Schedule F2 - Consolidated Net Worth

Schedule F2 is to be completed only if the Consolidated Net Worth Election Registration Application has been filed.

1.	Consolidated net worth (total assets less total liabilities of the affiliated group)	(1)	
2.	Franchise tax apportionment ratio (Schedule 170NC, 170SF or 170SC)	(2)	%
3.	Total (multiply Line 1 by Line 2; enter here and on Schedule A, Line 1)	(3)	

Schedule G - Determination of Real and Tangible Property

Book Value of Property Owned - Cost less accumulated depreciation

			In Tennessee
1.	Land	(1)	2537863
2.	Buildings, leaseholds, and improvements	(2)	270525767
3.	Machinery, equipment, furniture, and fixtures	(3)	
4.	Automobiles and trucks	(4)	
5.	Prepaid supplies and other tangible personal property	(5)	
6.	Ownership share of real and tangible property of a partnership that does not file a return	(6)	
7.	a. Inventories and work in progress	(7a)	
	b. Exempt finished goods inventory in excess of $30 million	(7b)	
8.	Certified pollution control equipment (include copy of certificate) and equipment used to produce electricity at a certified green energy production facility	(8)	
9.	Exempt required capital investment	(9)	
10.	Subtotal (add Lines 1 through 7a, subtract Lines 7b through 9)	(10)	273063630

Rental Value of Property Used but Not Owned

	Net Annual Rental Paid for:	In Tennessee			
11.	Real property	113819	x8	(11)	910552
12.	Machinery and equipment used in manufacturing and processing		x3	(12)	
13.	Furniture, office machinery, and equipment		x2	(13)	
14.	Delivery or mobile equipment		x1	(14)	
15.	Tennessee total (add Lines 10 through 14; enter here and on Schedule A, Line 2)			(15)	273974182

Schedule H - Gross Receipts

1.	Gross receipts or sales per federal income tax return	(1)	51204399

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Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2020 -12/31/2020	Tennessee-American Water Company	0317434603

Computation of Excise Tax

Schedule J1 - Computation of Net Earnings for Entities Treated as Partnerships

Additions:

1. Ordinary income or loss (federal Form 1065, Line 22) . . . (1)
2. Income items specifically allocated to partners, including guaranteed payments to partners . . . (2)
3. Any net loss or expense distributed to a publicly traded REIT . . . (3)
4. Total additions (add Lines 1 through 3) . . . (4)

Deductions:

5. Expense items specifically allocated to partners not deducted elsewhere . . . (5)
6. Amount subject to self-employment taxes distributable or paid to each partner or member net of any pass-through expense deducted elsewhere on this return (if negative, enter zero) (include on Schedule K, Line 3) . . . (6)
7. Amount of contribution to qualified pension or benefit plans of any partner or member, including all IRC 401 plans (include on Schedule K, Line 3) . . . (7)
8. Any net gain or income distributed to a publicly traded REIT . . . (8)
9. Any loss on the sale of an asset sold within 12 months after the date of distribution . . . (9)
10. Total deductions (add Lines 5 through 9) . . . (10)
11. Total (subtract Line 10 from Line 4; enter here and on Schedule J, Line 1) . . . (11)

Schedule J2 - Computation of Net Earnings for a Single Member LLC Filing as an Individual

Additions:

1. Business Income or loss from federal Form 1040, Schedule C . . . (1)
2. Business Income or loss from federal Form 1040, Schedule D . . . (2)
3. Business Income or loss from federal Form 1040, Schedule E . . . (3)
4. Business Income or loss from federal Form 1040, Schedule F . . . (4)
5. Business Income or loss from federal Form 4797 . . . (5)
6. Other: federal Form _____ , Schedule _____ . . . (6)
7. Total additions (add Lines 1 through 6) . . . (7)

Deductions:

8. Amount subject to self-employment taxes distributable or paid to the single member (if negative, enter zero; include on Schedule K, Line 3) . . . (8)
9. Total (subtract Line 8 from Line 7; enter here and on Schedule J, Line 1) . . . (9)

Schedule J3 - Computation of Net Earnings for Entities Treated as Subchapter S Corporations

Additions:

1. Ordinary income or loss (federal Form 1120S, Line 21) . . . (1)
2. Income items to extent includable in federal income were it not for "S" status election . . . (2)
3. Total additions (add Lines 1 and 2) . . . (3)

Deductions:

4. Expense items to extent includable in federal expenses were it not for "S" status election . . . (4)
5. Any loss on the sale of an asset sold within 12 months after the date of distribution . . . (5)
6. Total deductions (add Lines 4 and 5) . . . (6)
7. Total (subtract Line 6 from Line 3; enter here and on Schedule J, Line 1) . . . (7)

Schedule J4 - Computation of Net Earnings for Entities Treated as Corporations and Other Entities

Additions:

1. Taxable income or loss before net operating loss deduction and special deductions (federal Form 1120, Line 28) . . . (1) -90,682
2. a. REIT taxable income before net operating loss deduction and special deductions (federal Form 1120-REIT, Line 20) . . . (2a) _____
   b. REIT deduction for dividends paid (federal Form 1120-REIT, Line 21b) . (2b) _____
   c. REIT taxable income after dividends paid deduction (subtract Line 2b from Line 2a) . . . (2c)
3. Unrelated business taxable income (federal Form 990-T, Line 30) . . . (3)
4. Other: federal Form _____ . . . (4)
5. Contribution carryover from prior period(s) . . . (5)
6. Capital gains offset by capital loss carryover or carryback . . . (6)
7. Total additions (add Lines 1 through 6) . . . (7) -90,682

Deductions:

8. Contributions in excess of amount allowed by federal government . . . (8)
9. Portion of current year's capital loss not included in federal taxable income . . . (9)
10. Total deductions (add Lines 8 and 9) . . . (10)
11. Total (subtract Line 10 from Line 7; enter here and on Schedule J, Line 1) . . . (11) -90,682

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Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2020 -12/31/2020	Tennessee-American Water Company	0317434603

Schedule J - Computation of Net Earnings Subject to Excise Tax

1.	Adjusted federal income or loss (enter amount from Schedule J1, J2, J3, or J4)	(1)	-90682
	Additions:		
2.	Intangible expenses paid, accrued, or incurred to an affiliated business entity or entities deducted for federal income tax purposes	(2)	
3.	Any depreciation under the provisions of IRC Section 168 not permitted for excise tax purposes due to Tennessee permanently decoupling from federal bonus depreciation	(3)	7782922
4.	Gain on the sale of an asset sold within 12 months after the date of distribution to a nontaxable entity	(4)	
5.	Tennessee excise tax expense (to the extent reported for federal income tax purposes)	(5)	-333396
6.	Gross premiums tax deducted in determining federal income and used as an excise tax credit	(6)	
7.	Interest income on obligations of states and their political subdivisions, less allowable amortization	(7)	
8.	Depletion not based on actual recovery of cost	(8)	
9.	Excess fair market value over book value of property donated	(9)	
10.	Excess rent to/from an affiliate	(10)	
11.	Net loss or expense received from a pass-through entity subject to the excise tax (attach schedule)	(11)	
12.	An amount equal to five percent of IRC Section 951A global intangible low-taxed income deducted on Line 26	(12)	
13.	Business interest expense deducted in arriving at the amount reported on Sch. J, Line 1. Only complete if federal Form 8990 was filed. See instructions	(13)	
14.	Total additions (add Lines 2 through 13)	(14)	7449526
	Deductions:		
15.	Any depreciation under the provisions of IRC Section 168 permitted for excise tax purposes due to Tennessee permanently decoupling from federal bonus depreciation	(15)	9256331
16.	Any excess gain (or loss) from the basis adjustment resulting from Tennessee permanently decoupling from federal bonus depreciation	(16)	
17.	Dividends received from corporations at least 80% owned	(17)	
18.	Donations to qualified public school support groups and nonprofit organizations	(18)	
19.	Any expense other than income taxes not deducted in determining federal taxable income for which a credit against the federal income tax was allowed	(19)	
20.	Adjustments related to the safe harbor lease election (see instructions)	(20)	
21.	Nonbusiness earnings (from Schedule M, Line 8)	(21)	
22.	Intangible expenses paid, accrued, or incurred to an affiliated entity or entities (from Form IE, Line 4) Attach Form IE - Intangible Expense Disclosure	(22)	
23.	Intangible income from an affiliated business entity or entities if the corresponding intangible expenses have not been deducted by the affiliate(s) under Tenn. Code Ann. § 67-4-2006(b)(2)(N)	(23)	
24.	Net gain or income received from a pass-through entity subject to the excise tax (attach schedule)	(24)	
25.	Grants from governmental units to the extent included in federal taxable income	(25)	
26.	IRC Section 951A global intangible low-taxed income	(26)	
27.	a. Business interest expense currently deductible. See instructions	(27a)	
	b. Business interest expense carryforward available for future tax years (27b)		
28.	Total deductions (add Lines 15 through 27a)	(28)	9256331
	Computation of Taxable Income		
29.	Total business income (loss) (add Lines 1 and 14, subtract Line 28; if loss, enter on Schedule K, Line 1)	(29)	-1897487
30.	Excise tax apportionment ratio (Schedules N, O, P, R or S if applicable or 100%)	(30)	96.738008 %
31.	Apportioned business income (loss) (multiply Line 29 by Line 30)	(31)	-1835591
32.	Nonbusiness earnings directly allocated to Tennessee (from Schedule M, Line 9)	(32)	
33.	Loss carryover from prior years (from Schedule U)	(33)	
34.	Subject to excise tax (add Line 31 and 32, subtract Line 33; enter here and on Schedule B, Line 4)	(34)	-1835591

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Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2020 - 12/31/2020	Tennessee-American Water Company	0317434603

Schedule K - Determination of Loss Carryover Available

1.	Net loss from Schedule J, Line 29	(1)	-1897487
	Additions:		
2.	Amounts reported on Schedule J, Lines 17 and 21	(2)	
3.	Amounts reported on Schedule J1, Lines 6 and 7, or Schedule J2, Line 8	(3)	
4.	Reduced loss (add Lines 1 through 3; if net amount is positive, enter zero)	(4)	-1897487
5.	Excise tax apportionment ratio (Schedules N, O, P, R or S if applicable or 100%)	(5)	96.738008 %
6.	Current year loss carryover available (multiply Line 4 by Line 5)	(6)	-1835591

Schedule M - Nonbusiness Earnings Allocation

Allocation and apportionment schedules may be used only by taxpayers doing business outside the state of Tennessee within the meaning of Tenn. Code Ann. §§ 67-4-2010 and 67-4-2110. The burden is on the taxpayer to show that the taxpayer has the right to apportion.

If all earnings are business earnings as defined below, do not complete this schedule. Any nonbusiness earnings, less related expenses, are subject to direct allocation and should be reported in this schedule.

"Business Earnings" - 1) earnings arising from transactions and activity in the regular course of the taxpayer's trade or business, or 2) earnings from tangible and intangible property if the acquisition, use, management, or disposition of the property constitutes an integral part of the taxpayer's regular trade or business operations.
Earnings which arise from the conduct of the trade or trades or business operations of a taxpayer are business earnings, and the taxpayer must show by clear and cogent evidence that particular earnings are classifiable as nonbusiness earnings. A taxpayer may have more than one regular trade or business in determining whether income is business earnings.

"Nonbusiness Earnings" - all earnings other than business earnings

	Description of Nonbusiness Earnings (If further description is necessary, see below)	Gross Amounts	*Less Related Expenses	Net Amounts	Net Amounts Allocated Directly to Tennessee
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.	Total nonbusiness earnings (Enter here and on Schedule J, Line 21)				
9.	Nonbusiness earnings allocated directly (Enter here and on Schedule J, Line 32)				

If necessary, describe source of nonbusiness earnings and explain why such earnings do not constitute business earnings as defined above. Enumerate these items to correspond with items listed above.

*As a general rule, the allowable deductions for expenses of a taxpayer are related to both business and nonbusiness earnings. Items such as administrative costs, taxes, insurance, repairs, maintenance, and depreciation are to be considered. In the absence of evidence to the contrary, it is assumed that the expenses related to nonbusiness rental earnings will be an amount equal to 50% of such earnings and that expenses related to other nonbusiness earnings will be an amount equal to 5% of such earnings (see TENN. COMP. R. & REGS. 1320-06-01.23(3)).

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Taxable Year	Taxpayer Name	Account No./FEIN
01/01/2020 12/31/2020	Tennessee-American Water Company	0317434603

Schedule N - Apportionment - Standard

Property	In Tennessee		Total Everywhere	
Use original cost of assets	a. Beginning of Taxable Year	b. End of Taxable Year	a. Beginning of Taxable Year	b. End of Taxable Year
1. Land, buildings, leaseholds, and improvements	354113601	383409676	354113601	383409676
2. Machinery, equipment, furniture, and fixtures				
3. Automobiles and trucks				
4. Inventories and work in progress				
5. Prepaid supplies and other property				
6. Ownership share of real and tangible property of a partnership that does not file a return				
7. Excise tax total (add Lines 1 through 6)	a. 354113601	b. 383409676	a. 354113601	b. 383409676
8. Exempt inventory				
9. Franchise tax total (subtract Line 8 from Line 7)	a. 354113601	b. 383409676	a. 354113601	b. 383409676
10. Excise tax average value (add Lines 7(a) & (b), divide by two)		368761639		368761639
11. Franchise tax average value (add Lines 9(a) & (b), divide by two)		368761639		368761639
12. Rented property (rent paid x 8)		910552		910552

Use triple weighted sales factor	a. In Tennessee	b. Total Everywhere	c. Franchise Ratio	d. Excise Ratio
13. Excise tax property factor (add Lines 10 and 12)	369672191	369672191		100.000000 %
14. Franchise tax property factor (add Lines 11 and12)	369672191	369672191	100.000000%	
15. Payroll factor	8907659	8907659	100.000000%	100.000000 %
16. Sales factor (business gross receipts)	48757852	51561047	94.563347%	94.563347 %
17. Total ratios (add Lines 13-15 and (Line 16 x three))			483.690041%	483.690041 %
18. Apportionment ratio (divide Line 17 by five, or by the number of factors with everywhere values greater than zero) (Enter franchise tax apportionment ratio on Sch. F1, Line 4. Enter excise tax apportionment ratio on Sch. J, Line 30.)			96.738008%	96.738008 %

Schedule O - Apportionment - Common Carriers (railroads, motor carriers, pipelines and barges)

	In Tennessee	Total Everywhere	Ratio
1. Total franchise mileage (odometer miles)			
2. Tennessee gross intrastate receipts and interstate gross receipts everywhere			%
3. Total ratios (add Lines 1 and 2)			%
4. Apportionment ratio (divide Line 3 by two, or by the number of factors with everywhere values greater than zero) (Enter franchise tax apportionment ratio on Schedule F1, Line 4. Enter excise tax apportionment ratio on Schedule J, Line 30.)			%

Schedule P - Apportionment - Air Carriers

	In Tennessee	Total Everywhere	Ratio
1. Originating revenue			
2. Air miles flown (Include in Tennessee column only air miles flown on flights either originating from or ending in Tennessee or both)			%
3. Total ratios (add Lines 1 and 2)			%
4. Apportionment ratio (divide Line 3 by two, or by the number of factors with everywhere values greater than zero) (Enter franchise tax apportionment ratio on Schedule F1, Line 4. Enter excise tax apportionment ratio on Schedule J, Line 30.)			%

Schedule R - Apportionment - Air Express Carriers

	In Tennessee	Total Everywhere	Ratio
1. Originating revenue			%
2. Air miles flown and ground miles traveled (Include in Tennessee column only air miles flown on flights either originating from or ending in Tennessee or both. Include only ground miles traveled with respect to actual common carriage of persons or property for hire.)			%
3. Total ratios			%
4. Apportionment ratio (divide Line 3 by two, or by the number of factors with everywhere values greater than zero) (Enter franchise tax apportionment ratio on Schedule F1, Line 4. Enter excise tax apportionment ratio on Schedule J, Line 30.)			%

Schedule S - Apportionment - Manufacturer Single Sales Factor

	In Tennessee	Total Everywhere	Ratio
1. Sales factor (business gross receipts) (Enter franchise tax apportionment ratio on Schedule F1, Line 4. Enter excise tax apportionment ratio on Schedule J, Line 30.)			%

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Taxable Year	Taxpayer Name	Account No./FEIN
12/31/2020	Tennessee-American Water Company	0317434603

Schedule T - Industrial Machinery and Research and Development Equipment Tax Credit

Part 1: Tax Credit Computation

Franchise and excise taxes may be reduced by a credit on industrial machinery and research and development equipment purchased during the tax period covered by the return and located in Tennessee. The credit is generally computed at 1% of the purchase price of qualified industrial machinery and research and development equipment. The credit taken on any return cannot exceed 50% of the current year's franchise and excise tax liability, but any unused credit may be carried forward 15 years under Tenn. Code Ann. §67-4-2009(3).

1. Purchase price of industrial machinery and research and development equipment	(1)	18099755
2. Percentage allowed (generally 1%*)	(2)	1. %
3. Current year credit (multiply Line 1 by Line 2)	(3)	180998
4. Credit available from prior year(s) (from Schedule V)	(4)	
5. Total credit available (add Lines 3 and 4)	(5)	180998
6. Franchise and excise tax liability before any credits (add Schedule A, Line 3 and Schedule B, Line 5)	(6)	684935
7. Limitation on credit (50% of Line 6)	(7)	342468
8. Franchise and excise tax liability before any credits (add Schedule A, Line 3 and Schedule B, Line 5)	(8)	684935
9. Credits from Schedule D, Lines 1 through 5 and Schedule D, Line 8	(9)	
10. Tax before Industrial Machinery Credit (subtract Line 9 from Line 8)	(10)	684935
11. Amount available in current year (enter the smaller value of Lines 5, 7, or 10 here, and on Schedule D, Line 6)	(11)	180998

Part 2: Recapture of Tax Credit

The Industrial Machinery Tax Credit previously established on this form must be partially recaptured if the equipment on which it was based was sold or removed from the state before the end of the equipment's life as established for federal income tax purposes. The recapture amount is a percentage of useful life remaining at the time of sale or removal multiplied by the credit originally established on this form. Previously established credits have either offset tax or populated the carryover table Schedule V. Complete the Industrial Machinery Credit Recapture Worksheet and then enter the applicable recapture amounts on Lines 12 and 13 below.

12. Reduction to credit carryover table, Schedule V, from recapture worksheet, Part 2, Line 16	(12)	
13. Recapture of credit from recapture worksheet, Part 2, Line 17 (enter here and on Schedule B, Line 6)	(13)	

*The percentage allowed on Part 1, Line 2 above is 1%, unless the taxpayer has met the requirements of Tenn. Code Ann. §67-4-2009(3)(I) and has been approved by the Commissioner of Revenue for an enhanced rate based on the investment amount. The statutory minimum investment requirements and applicable rates for the enhanced credit are shown on the following chart:

Minimum Required Capital Investment	Rate of Credit
$100,000,000	3%
$250,000,000	5%
$500,000,000	7%
$1,000,000,000	10%

Tennessee-American Water Company 62-0529095

Tennessee Franchise & Excise Tax Return, Page 2 Detail

Sch F1, Ln 2 - Indebtedness to or Guaranteed by Parent or Affiliate

Intercompany Bonds	82,280,321.
Total	82,280,321.

AMERICAN WATER

General Tax Department
PO Box 2738
Camden, NJ 08101

P 856-955-4294
F 856-519-9740

March 28, 2023

Comptroller of the Treasury
Office of State Assessed Properties
Cordell Hull Building
425 Fifth Avenue Building
Nashville, NJ 37243-3400

Re: 2023 Ad Valorem Tax Report

Dear Sir/Madam:

Enclosed is the 2023 Ad Valorem Tax Report for the above captioned entity. We request that the Assessor provide a copy of the Business Property Statement Valuation Worksheets for the year 2020 when completed.

We have included an estimate for economic obsolesce based on our inability to earn our allowed rate of return. Please consider this in your valuation determination.

If you have any questions or require further information, please contact the undersigned.

Sincerely,
TENNESSEE AMERICAN WATER COMPANY

Holly Grillo

Holly Grillo
Sr. Tax Accountant
Holly.grillo@amwater.com
856-955-4294





STATE OF TENNESSEE
2023
AD VALOREM TAX REPORT





COMPANY NAME Tennessee American Water Company

STREET PO Box 2738 CITY Camden STATE NJ ZIP CODE 08101
(PRINCIPAL OFFICE INFORMATION)

STREET 109 Wiehl Street CITY Chattanooga STATE TN ZIP CODE 37403
(PRINCIPAL OFFICE INFORMATION IN TENNESSEE)

PHONE NUMBER ( ) 856-955-4294 FAX NUMBER ( )

COMPANY WEB SITE

EMAIL ADDRESS

Visit our website at:
www.comptroller.tn.gov/sap

MAIL REPORT TO:

COMPTROLLER OF THE TREASURY
OFFICE OF STATE ASSESSED PROPERTIES
Cordell Hull Building
425 Rep. John Lewis Way N.
Nashville, TN 37243-3400
(615) 741-0140 FAX (615) 741-0142

****This report must be filed with this office by April 1, 2023****

EC – 1

1. Company Name Tennessee American Water Company

2. Principal Office Location 109 Wiehl Street
Number & Street

Chattanooga (City) TN (State) 37403 (Zip)

3. Is Company ____ **INDIVIDUAL?** ____ **PARTNERSHIP?** x **CORPORATION?**
____ **COOPERATIVE?** ____ **OTHER?**

4. If a **CORPORATION** or **OTHER** similar enterprise, supply the following information:

Under laws of what state organized TN Date organized 02/19/1869
Add charter of incorporation or similar enterprise. ____ Date dissolved ____

5. Name & address of **PRESIDENT, OWNER, OR PARTNER** John C. Griffith
Name

President (Position/Title) One Water Street (Number & Street) Camden (City) NJ (State) 08102 (Zip)

6. Name & address of **GENERAL MANAGER** ____
Name

____ (Number & Street) ____ (City) ____ (State) ____ (Zip)

7. GROSS Investment in SYSTEM plant and property December 31, 2022 $ 440,777,280

8. NET Investment in SYSTEM plant and property December 31, 2022 $ 331,061,287

9. SYSTEM GROSS Revenue (Income) for year ended December 31, 2022 $ 60,818,620

10. SYSTEM NET OPERATING Revenue (Income) for year ended December 31, 2022 $ 17,425,761

11. Amount of LOANS FROM FEDERAL AGENCIES, if any $ ____

12. Indicate stock & debt of company:

	Amount Authorized	No. of Shares or Amount Issued	Book or Par Value	Market or Cash Value
Preferred Stock				
Common Stock	20,000,000	13,754,235	1.0	
Bonds				
Other Long-Term Debts				

13. State surplus at beginning of 2022 $ N/A End of 2022 $ N/A

14. State amount of dividends paid for the year 2022: Preferred $ ____ Common $ ____

15. State exact dollar amount of FEDERAL INCOME TAX ACTUALLY PAID OR OWED FOR 2022 as reported on your Federal Income Tax Return $ Federal return on extension

16. State ACTUAL CASH or MARKET VALUE of all Tennessee plant and property as of January 1, 2023 $ 0

CT-0399

EC – 1A

17. State NET additions (additions less retirements) to Tennessee plant and property for:
2021 $ 33,662,622 2022 $ 24,217,916

18. Total number of subscribers in Tennessee 79,011

19. Does your company operate solely (100%) in Tennessee? _____ YES x NO

If you checked "YES" it will not be necessary to complete questions 20-27.
If you checked "NO" **you must** complete questions 20-27.

20. GROSS Investment in Tennessee plant and property December 31, 2022 $ 435,670,018

21. NET Investment in Tennessee plant and property December 31, 2022 $ 327,292,896

22. TENNESSEE GROSS Revenue (Income) for year ended December 31, 2022 $ 56,354,404

23. TENNESSEE NET OPERATING Revenue (Income) for year ended December 31, 2022 $ 16,146,673

24. Percent of TENNESSEE GROSS Investment as compared to SYSTEM GROSS Investment in plant and property December 31, 2022 99 %

25. Percent of TENNESSEE NET Investment as compared to SYSTEM NET Investment in plant and property December 31, 2022 99 %

26. Percent of TENNESSEE GROSS Revenue (Income) as compared to SYSTEM GROSS Revenue (Income) for year ended December 31, 2022 93 %

27. Percent of TENNESSEE NET OPERATING Revenue (Income) as compared to SYSTEM NET OPERATING Revenue (Income) for year ended December 31, 2022 93 %

28. Does your company or its parent holding company file the following? **Check all that apply:**

_____ a. SEC Form 10-K
_____ b. FCC Form M
x c. Annual report to stockholders
_____ d. FERC Form 1
_____ e. FERC Form 2
_____ f. FERC Form 2A
_____ g. FERC Form 6

File one copy of each of the items checked in item 28 with the Comptroller of the Treasury, Office of State Assessed Properties.

29. What was the date of your last rate case? 06/01/2012 Was the case heard by a state PSC or a federal entity? PSC What was the return on equity granted? 10 %

30. Special questions regarding this report should be directed to:

NAME: Holly Grillo

TITLE: Sr, Tax Accounant

ADDRESS: One Water Street
Number & Street

Camden (City) NJ (State) 08102 (Zip)

PHONE NUMBER: ( ) 856-955-4294

FAX NUMBER: ( )

E-MAIL ADDRESS holly.grillo@amwater.com

B A L A N C E S H E E T

Item	ASSETS	As of December 31 2022	2021
	Fixed Assets		
1	Utility Plant in Service	439,109,240	414,755,738
2	Plant Under Construction	5,417,618	4,091,519
	Plant Under Construction-Affiliate		
3	Property Held for Future Use		
4	Plant Acquisition Adjustment	(3,749,579)	(3,749,579)
5	Total Fixed Assets	440,777,280	415,097,679
6	**LESS Depreciation & Amortization Reserve**	109,715,992	103,737,557
7	**Net Fixed Assets**	$331,061,287	$311,360,122
	Other Property & Investments		
*8	Non-Utility Property	$	
9	**LESS Accumulated Depreciation**		
10	Net Non-Utility Property	0	0
*11	**Investment in Affiliated Companies**		
*12	**Other Investments**		
13	Miscellaneous Physical Property	0	0
14	Sinking Funds		
15	Other Fund Accounts - Intangibles	0	0
16	**Total Other Property & Investments**	$0	$0
	Current Assets		
17	Cash	374,373	235,237
18	Special Cash Deposits		
19	Working Funds	0	0
20	Temporary Cash Investments		
21	Notes Receivable from Affiliated Companies		
22	Other Notes Receivable		
23	Due from Customers & Agent - Net	4,630,868	4,132,539
24	Accounts Receivable from Affiliated Companies Net	677,240	1,152,600
25	Other Accounts Receivable - Net	235,490	206,804
26	Interest & Dividends Receivable		
27	Pre-payments	723,479	550,326
28	Materials and Supplies	1,936,433	1,080,568
29	Liquefied Natural Gas Stored		
30	Subscriptions to Security Issues		
31	Other Current Assets	2,432,489	2,223,809
32	**Total Current Assets**	11,010,372	9,581,883
	Deferred Charges		
33	Discount on Long-Term Debt	1,247,592	1,283,620
34	Extraordinary Maintenance & Retirements		
35	Clearing Accounts		
36	Other Deferred Charges	2,207,226	1,476,771
37	**Total Deferred Charges**	3,454,819	2,760,391
38	**TOTAL ASSETS**	345,526,478	323,702,396

***GIVE A DETAILED BREAKDOWN & DESCRIPTION OF THIS TYPE OF PROPERTY INVESTMENT**

B A L A N C E S H E E T

LIABILITIES & OTHER CREDITS — **As of December 31**

Item		2022	2021
	Capital Stock & Retained Earnings		
1	Common Capital Stock Outstanding	$13,754,235	$13,754,235
2	Preferred Capital Stock Outstanding	0	0
3	Premiums on Capital Stock		0
4	Other Capital Liability Accounts		
5	Proprietor's Capital		
6	Other Capital	75,754,015	55,652,674
7	Retained Earnings Reserved		
8	Unappropriated Retained Earnings	46,700,943	43,340,467
9	**Less Discount on Capital Stock**		
10	**Less Capital Stock Expense**		
11	**Total Capital Stock & Retained Earnings**	$136,209,193	$112,747,376
	Long-Term Debt		
12	Funded Debt Outstanding	107,655,632	102,652,904
13	Receivers Certificates		
14	Advances from Affiliated Companies		
15	Other Long-Term Debt(s)	0	0
16	**Total Long-Term Debt(s)**	$107,655,632	$102,652,904
	Current & Accrued Liabilities		
17	Notes Payable to Affiliated Companies	6,025,315	5,899,664
18	Other Notes Payable		
19	Accounts Payable to Affiliated Companies	465,672	690,705
20	Other Accounts Payable	12,529,998	18,772,532
21	Customer Deposits		
22	Matured Interest & Dividends	0	0
23	Matured Long-Term Debt(s)		
24	Advance Billing & Payments		
25	Taxes Accrued	2,998,317	4,758,806
26	Unmatured Interest, Dividends, & Rents Accrued	1,007,311	988,770
27	Refunds Due Customers		
28	Other Current Liabilities	2,482,038	2,734,695
29	**Total Current & Accrued Liabilities**	$25,508,652	$33,845,172
	Deferred Credits & Reserves		
30	Premium on Long-Term Debt		$
31	Insurance Reserve		
32	Provident Reserve		
33	Amortization Reservie		
34	Employment Stabilization Reserve		
35	Other Deferred Credits & Reserves	16,023,116	20,187,574
36	Accumulated Deferred Income Taxes	40,845,936	35,460,752
37	**Total Deferred Credits & Reserves**	$56,869,052	$55,648,326
	Contributions In Aid of Construction		
38	Contributions In Aid of Construction	19,283,950	18,808,619
	Rounding		
39	**TOTAL LIABILITIES & OTHER CREDITS**	$345,526,478	$323,702,397

WS - 3A WS - 3A

SUPPLEMENT
TO BALANCE SHEET

	As of December 31 2022	2020
1. Contributed Plant	26,219,675	25,411,515
2. Accumulated Depreciation on Contributed Plant	6,935,726	6,602,896
3. Net Contributed Plant	19,283,950	18,808,619
4. Non-Contributed Plant	414,557,604	389,686,164
5. Accumulated Depreciation on Non-Contributed	102,780,267	97,134,661
6. Net Non-Contributed Plant	311,777,338	292,551,503
7. Total Utility Plant in Service	440,777,280	415,097,679
8. Total Accumulated Depreciation	109,715,992	103,737,557
9. *TOTAL NET PLANT	$331,061,287	$311,360,122

***THIS FIGURE SHOULD BE EQUAL TO THE FIGURE REPORTED ON THE PRECEDING PAGE REPRESENTING NET FIXED ASSETS.**

List below the items included in the Contributed Plant Account:	AMOUNT
CIAC-Non Taxable - Other	3,083,061
CIAC-Non Taxable - Mains	6,350,321
CIAC-Non Taxable - Ext Dep	8,428,396
CIAC-Taxable - Extension Deposits	17,608
CIAC-Non Taxable - Services	496,083
CIAC-Taxable - Services	2,837,432
CIAC-Non Taxable - Meters	98,235
CIAC-Non Taxable - WIP	111,366
CIAC-Taxable - Meters	109,371
CIAC-Non Taxable - Hydrants	1,372,962
CIAC-Taxable - Hydrants	314,411
CONT IN AID Taxable Other	-
CIAC-Taxable - Mains	2,375,582
CIAC-Taxable - WIP	97,272
CIAC-Taxable - Mains FIT	441,787
CIAC-Taxable - Services FIT	46,198
CIAC-Taxable - Hydrants FIT	39,591
Accum Amort CIAC - Other	(5,758,318)
Accum Amort CIAC - Tax	(1,177,408)
TOTAL CONTRIBUTED PLANT	19,283,950

WS-4

LONG-TERM DEBT
Mortgages, Bonds, Promissory Notes & Miscellaneous Long-term Debt

Date of Issue	Date of Maturity	Description: (Bonds, Notes or Other Instruments)	Beginning of Year Balance	Principal Paid During Year	End of Year Balance	Interest Rate (%)	Interest for Year Amount	Leave This Column Blank
		General Mortgage Bonds						
10/04/1996	09/01/2026	7.84% SERIES	5,700,000		5,700,000	7.84%	446,880	
		Notes payable to affiliate						
8/13/2015	9/1/2045	4.30 % Series	14,000,000		14,000,000	4.30%	602,000	
8/14/2014	12/1/2042	4.30 % Series	10,500,000		10,500,000	4.30%	451,500	
05/19/2011	10/15/2037	5.90 % Series	2,500,000		2,500,000	5.90%	147,500	
12/17/2012	12/17/2042	4.30% Series	2,000,000		2,000,000	4.30%	86,000	
		Less: 4.30% Series bond discount	(301,383)		(327,417)			
11/20/2013	03/01/2024	3.85% Series	11,000,000		11,000,000	3.85%	423,500	
11/17/16	12/01/46	4.00% Series	8,000,000		8,000,000	4.00%	320,000	
		4.20% Series	5,000,000		5,000,000	4.20%	210,000	
		3.75% Series	19,280,321		19,280,321	3.75%	723,012	
		4.15% Series	6,000,000		6,000,000	4.15%	249,000	
		3.45% Series	4,000,000		4,000,000	3.45%	138,000	
		3.25% Series	15,000,000		15,000,000	3.25%	487,500	
		4.45% Series			5,000,000	4.45%	222,500	
		TOTALS	$102,678,938	$0	$107,652,904	=======	$4,507,392	

I N C O M E S T A T E M E N T

Item		As of December 31 2022	2021	2020
	Operating Revenue			
1	Unmetered Revenue			
2	Metered Revenue	58,853,674	57,436,369	51,372,139
3	Fire Hydrant Revenue & Service	3,486,517	3,389,466	3,128,255
4	Revenue from Sale of Taps			
5	Sewerage Revenue			
6	Other Revenue	(1,521,571)	(2,024,348)	(3,098,389)
7	**Total Operating Revenues**	**$60,818,621**	**$58,801,488**	**$51,402,006**
	Operating Expense			
8	Water Supply Expense	$3,829,705	$3,914,138	$3,800,061
9	Pumping Expense	$0	$0	$0
10	Purification Expense	$2,272,451	$2,322,551	$2,254,861
11	Distribution Expense	$2,290,643	$2,341,145	$2,272,913
12	Customer Accounting & Collection Expense	$2,267,496	$2,317,487	$2,249,944
13	Administrative & General Expense	$13,887,234	$14,193,403	$13,779,741
14	State, County, & Municipal Taxes	5,652,122	5,421,370	5,222,370
15	Federal Income Taxes	2,087,789	1,515,802	(565,487)
16	Other Federal Taxes			
17	Depreciation Expense	$11,105,419	$10,697,301	$9,859,969
18	Amortization Expense	0	50,611	54,355
19	Other Operating Expense			
20	**Total Operating Expense**	**$43,392,859**	**$42,773,807**	**$38,928,727**
21	**NET OPERATING INCOME**	**$17,425,762**	**$16,027,680**	**$12,473,279**
	Other Income			
22	Dividend Income			
23	Allowance for Funds Used During Construction (AFUDC)	307,218	294,676	309,677
	Less: Federal Income Taxes on AFUDC			
24	Other Interest Income			
25	Total Interest Income			
26	Income from Non-Operating Property			
27	Miscellaneous Income	(75,867)	(74,992)	20,494
28	**Total Other Income**	**$231,351**	**$219,684**	**$330,170**
	Miscellaneous Deductions from Income			
29	Miscellanueous Income Charges			
30	Federal Income Tax - Non-Operating	0	0	0
31	Other Non-Operating Taxes	0	0	0
32	Total Miscellaneous Deductions	$0	$0	$0
33	Net Other Income			
34	**Gross Income**	**17,657,114**	**16,247,365**	**12,803,449**
	Interest & Other Dedcutions			
35	Interest on Funded Debt	$4,570,541	$4,348,779	$3,930,978
36	Other Interest Deductions			
37	Amortization of Discount on Long-Term Debt	98,131	88,929	85,680
38	Release of Premium on Long-Term Debt-Credit			
39	Other Fixed Charges			
40	**TOTAL INTEREST & OTHER DEDUCTIONS**	**$4,668,672**	**$4,437,708**	**$4,016,659**
41	**Net Income Before Extraordinary Items**	**$12,988,441**	**$11,809,657**	**$8,786,791**
	Extraordinary & Delayed Items			
42	Extraordinary & Delayed Items		$	$
43	**Net Income to Retained Earnings**	**12,988,441**	**11,809,657**	**8,786,791**

Tennessee American Water Company
Forms WS 7 - 8

	Total TN	TN-City of Chattanooga Hamilton County	TN-Hamilton County-Outside Hamilton County	TN-Town of East Ridge Hamilton County	TN-City of Ridgeside Hamilton County	TN-Town of Lookout Mountain Hamilton County	TN-City of Whitwell Marion County	TN- City of Crossroads Marion County	TN-City of Red Bank White Oak County	TN-Marion County-Outside Marion County	TN-City of Lone Oak Sequatchie County
Meters	80,166,143	64,916,619	828,442	8,902,039	178,319	1,123,784	423,636	280,236	1,766,305	1,214,860	531,904
Mains	183,840,967	147,719,908	2,335,367	15,898,907	399,348	3,120,059	1,646,436	1,295,436	2,707,312	7,826,167	892,027
Hydrants	13,298,928	11,142,003	62,260	970,223	33,724	394,315	125,976	50,146	238,878	228,713	52,690
Total Water Distribution System	277,306,038	223,778,530	3,226,069	25,771,169	611,392	4,638,158	2,196,047	1,625,818	4,712,495	9,269,740	1,476,621
	-										
Pump and Pump Equipment	15,596,581	14,128,476	27,261			46,366	1,337,833		56,643		
Resevoirs and Stand Pipes	20,087,687	18,199,148	737,015			93,789	738,073		275,662	44,000	
Purification and Filtration	30,857,362	30,387,112					470,249				
Miscellaneous	3,298,032	3,133,938	74,080				71,645		18,369		
Total Water Supply and Equipment	69,839,661	65,848,675	838,356	-	-	140,155	2,617,801	-	350,675	44,000	-
	-										
General Equipment	15,090,271	13,810,220	4,032			19,679	1,187,557		12,063	56,719	
	-										
CWIP	4,023,127	3,529,765									493,363
	-										
Land	3,427,438	3,287,848				1,749	127,564		10,278		
	-										
Structures	51,516,114	46,781,894	503,959			20,692	3,667,874		541,695		
	-										
Total All Property/Tennesses	421,202,649	357,036,930	4,572,417	25,771,169	611,392	4,820,433	9,796,842	1,625,818	5,627,206	9,370,459	1,969,983

Total w/o CWIP	417,179,522
Total w/o CWIP and Chatt book to GA	417,082,358

EC – 6

LEASED EQUIPMENT

This schedule should include all operating equipment located in Tennessee that is leased or used by your company.

Type of Equipment	No. Of Units	Total Annual Amount of Rent	Age Of Units	Annual Depreciation Rate	Lease Expiration Date	Owner	Tax Liability Lessor or Lessee	Original Cost	Accumulated Depreciation	Depreciated Cost	Location (County & City)
		$						$	$	$	

EC – 9

PURCHASES AND SALES OF TENNESSEE PROPERTY

List all purchases and sales of Tennessee **real property** (including Telecommunications Towers) that occurred during the year 2022. Give all applicable information for each transaction separately. (You may copy pages as needed) Please **attach a copy of the warranty deed or sales contract.**

PURCHASES

Date of Purchase: _____

County/City: _____

Assessor's Tax Map & Parcel Number: _____

Purchase Price: _____

Physical Address: _____
Number & Street

_____ _____ _____
City State Zip

Description of Property: _____

Grantor (seller): _____

Type of Improvement: _____

SALES

Date of Sale: _____

County/City: _____

Assessor's Tax Map & Parcel Number: _____

Sale Price: _____

Physical Address: _____
Number & Street

_____ _____ _____
City State Zip

Description of Property: _____

Grantee (buyer): _____

Type of Improvement: _____

EC – 10

INDUSTRIAL DEVELOPMENT BOARD

Please report on this form any Industrial Development Board (IDB) or similar tax abatements information for personal and real property leased by your company. Please include scanned or paper copies of any similar agreements with city or counties for the referenced properties.

Owner Name	Lessee Name	Property Address	County Name	City Name	Estimated Value	Lease Date	Lease Terms

EC – 11

REAL PROPERTY UNDER CONSTRUCTION

Tennessee Code Annotated 67-5-503 provides that, "If after January 1 and before September 1 of any year, an improvement or new building is completed and ready for use or occupancy…the assessor of property shall make or correct the assessment of such property, on the basis of the value of the improvement at the time of its completion…"

List all real properties under construction or properties that **will be** completed by September 1, 2023.

County and City	Property Owner and Map Reference	Description of Improvement	Construction Cost
			$

DATE: _____

I, Michael Mupo, being the OWNER, PRESIDENT, SECRETARY, AND/OR PARTNER OF _____, do hereby swear and affirm that the foregoing Ad Valorem Tax Report for the year two thousand twenty three has been prepared from only the original books, papers, and records of said respondent under my direction in accordance with Tennessee Code Annotated, §67-5-1316, and is true and correct to the best of my knowledge and belief.

Michael Mupo

NAME

Director Tax

OFFICIAL CAPACITY

American Water **Tennessee**

Economic Obsolescence Request

Method I: Actual return to Average Plant *

Net Utlity Plant	$ 331,061,287
NOI	$ 17,425,761
Average Plant	$ 321,780,341
Allowed Rate of Return	7.230%

				Net Utlity Plant	Requested Obsolescence Adjsutment
% Obsol.= 1-((2018 NOI/Ave. Plant)/Allowed Rate of Return)	25.098%	x		331,061,287	$ 83,089,450

Method II: Projected Return on Net Utility Plant

Projected NOI	$ 13,302,725
Net Utlity Plant	$ 321,780,341
NOI	$ 17,425,761
Average Plant	$ 321,780,341
Allowed Rate of Return	7.230%

				Net Utlity Plant	Requested Obsolescence Adjsutment
% Obsol.= 1-((Projected NOI/Ave. Plant)/Allowed Rate of Return)	42.820%	x		331,061,287	$ 141,761,025
Indictated Economic Obsolescence					112,000,000

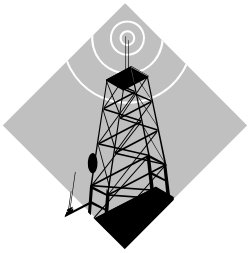
* Average plant is the average of net utility plant on 12/31/20 and 12/31/2021

Net Utility Plant 2022	$	331,061,287
Net Utility Plant 2021	$	312,499,395
	$	643,560,682

Average Net Utility Plant	$ 321,780,341







TAT OF T NN
2022
AD VALOREM TAX REPORT



COMPANY NAME Tennessee American Water

STREET PO Box CITY Camde STATE NJ ZIP CODE 0810
(PRINCIPAL OFFICE INFORMATION)

STREET 109 Wiehl CITY Chattanoog STATE TN ZIP CODE 3740
(PRINCIPAL OFFICE INFORMATION IN TENNESSEE)

PHONE NUMBER ( ) 856-955-421 FAX NUMBER ( )

COMPANY WEB SITE

EMAIL ADDRESS

Visit our website at:
www.comptroller.tn.gov/sap

MAIL REPORT TO:

COMPTROLLER OF THE TREASURY
OFFICE OF STATE ASSESSED PROPERTIES
Cordell Hull Building
425 Rep. John Lewis Way N.
Nashville, TN 37243-3400
(615) 741-0140 FAX (615) 741-0142

****This report must be filed with this office by April 1, 2022****

EC – 1

1. Company Name: Tennessee American Water

2. Principal Office Location: 109 Wiehl (Number & Street)

Chattanoog (City) | TN (State) | 3740 (Zip)

3. Is Company ____ **INDIVIDUAL?** ____ **PARTNERSHIP?** X **CORPORATION?**
____ **COOPERATIVE?** ____ **OTHER?**

4. If a **CORPORATION** or **OTHER** similar enterprise, supply the following information:

Under laws of what state organized: TN — Date organized: 02/19/186
Add charter of incorporation or similar enterprise. — Date dissolved:

5. Name & address of **PRESIDENT, OWNER, OR PARTNER**: Darleen (Name)

Presiden (Position/Title) | 109 Wiehl (Number & Street) | Chattanoog (City) | TN (State) | 3740 (Zip)

6. Name & address of **GENERAL MANAGER**: ____ (Name)

____ (Number & Street) | ____ (City) | ____ (State) | ____ (Zip)

7. GROSS Investment in SYSTEM plant and property December 31, 2021 — $ 415,097,67

8. NET Investment in SYSTEM plant and property December 31, 2021 — $ 311,360,12

9. SYSTEM GROSS Revenue (Income) for year ended December 31, 2021 — $ 58,801,48

10. SYSTEM NET OPERATING Revenue (Income) for year ended December 31, 2021 — $ 16,027,67

11. Amount of LOANS FROM FEDERAL AGENCIES, if any — $

12. Indicate stock & debt of company:

	Amount Authorized	No. of Shares or Amount Issued	Book or Par Value	Market or Cash Value
Preferred Stock				
Common Stock	20,000,00	13,754,23	1.0	
Bonds				
Other Long-Term Debts				

13. State surplus at beginning of 2021 — $ NA — End of 2021 — $ NA

14. State amount of dividends paid for the year 2021: Preferred $ ____ Common $ ____

15. State exact dollar amount of FEDERAL INCOME TAX ACTUALLY PAID OR OWED FOR 2021 as reported on your Federal Income Tax Return — $ Federal return on

16. State ACTUAL CASH or MARKET VALUE of all Tennessee plant and property as of January 1, 2022 — $ 0

EC – 1A

17. State NET additions (additions less retirements) to Tennessee plant and property for:
2020 $ 33,493,73 2021 $ 34,244,83

18. Total number of subscribers in Tennessee 77,00

19. Does your company operate solely (100%) in Tennessee? _____ YES x NO

If you checked "YES" it will not be necessary to complete questions 20-27.
If you checked "NO" **you must** complete questions 20-27.

20. GROSS Investment in Tennessee plant and property December 31, 2021 $ 411,610,49

21. NET Investment in Tennessee plant and property December 31, 2021 $ 308,744,42

22. TENNESSEE GROSS Revenue (Income) for year ended December 31, 2021 $ 54,381,13

23. TENNESSEE NET OPERATING Revenue (Income) for year ended December 31, 2021 $ 14,822,81

24. Percent of TENNESSEE GROSS Investment as compared to SYSTEM GROSS Investment in plant and property December 31, 2021 99 %

25. Percent of TENNESSEE NET Investment as compared to SYSTEM NET Investment in plant and property December 31, 2021 99 %

26. Percent of TENNESSEE GROSS Revenue (Income) as compared to SYSTEM GROSS Revenue (Income) for year ended December 31, 2021 92 %

27. Percent of TENNESSEE NET OPERATING Revenue (Income) as compared to SYSTEM NET OPERATING Revenue (Income) for year ended December 31, 2021 92 %

28. Does your company or its parent holding company file the following? **Check all that apply:**

_____ a. SEC Form 10-K
_____ b. FCC Form M
x c. Annual report to stockholders
_____ d. FERC Form 1
_____ e. FERC Form 2
_____ f. FERC Form 2A
_____ g. FERC Form 6

File one copy of each of the items checked in item 28 with the Comptroller of the Treasury, Office of State Assessed Properties.

29. What was the date of your last rate case? 06/01/201 Was the case heard by a state PSC or a federal entity? PS What was the return on equity granted? 10 %

30. Special questions regarding this report should be directed to:

NAME: Alison
TITLE: Tax
ADDRESS: 1 Water
Number & Street
Camde City NJ State 0810 Zip
PHONE NUMBER: ( ) 856-422-421
FAX NUMBER: ( )
E-MAIL ADDRESS alison.cislo@amwater.co

B A L A N C E S H E E T

ASSETS

Item		As of December 31 2021	2020
	Fixed Assets		
1	Utility Plant in Service	414,755,738	387,192,127
2	Plant Under Construction	4,091,519	4,909,451
	Plant Under Construction-Affiliate		
3	Property Held for Future Use		
4	Plant Acquisition Adjustment	(3,749,579)	(3,749,579)
5	Total Fixed Assets	415,097,679	388,351,999
6	**LESS Depreciation & Amortization Reserve**	103,737,557	97,116,744
7	**Net Fixed Assets**	$311,360,122	$291,235,256
	Other Property & Investments		
*8	Non-Utility Property	$	$
9	**LESS Accumulated Depreciation**		
10	Net Non-Utility Property	0	0
*11	**Investment in Affiliated Companies**		
*12	**Other Investments**		
13	Miscellaneous Physical Property	0	0
14	Sinking Funds		
15	Other Fund Accounts - Intangibles	0	0
16	**Total Other Property & Investments**	$0	$0
	Current Assets		
17	Cash	235,237	254,280
18	Special Cash Deposits		
19	Working Funds	0	0
20	Temporary Cash Investments		
21	Notes Receivable from Affiliated Companies		
22	Other Notes Receivable		
23	Due from Customers & Agent - Net	4,132,539	3,837,972
24	Accounts Receivable from Affiliated Companies Net	1,152,600	12,457,344
25	Other Accounts Receivable - Net	206,804	79,476
26	Interest & Dividends Receivable		
27	Pre-payments	550,326	642,107
28	Materials and Supplies	1,080,568	995,953
29	Liquefied Natural Gas Stored		
30	Subscriptions to Security Issues		
31	Other Current Assets	2,223,809	1,785,391
32	**Total Current Assets**	9,581,883	20,052,522
	Deferred Charges		
33	Discount on Long-Term Debt	1,283,620	1,197,244
34	Extraordinary Maintenance & Retirements		
35	Clearing Accounts		
36	Other Deferred Charges	1,476,771	2,691,362
37	**Total Deferred Charges**	2,760,391	3,888,606
38	**TOTAL ASSETS**	323,702,396	$315,176,383

***GIVE A DETAILED BREAKDOWN & DESCRIPTION OF THIS TYPE OF PROPERTY INVESTMENT**

B A L A N C E S H E E T

WS - 3

Item	LIABILITIES & OTHER CREDITS	As of December 31 2021	As of December 31 2020
	Capital Stock & Retained Earnings		
1	Common Capital Stock Outstanding	$13,754,235	$13,754,235
2	Preferred Capital Stock Outstanding	0	0
3	Premiums on Capital Stock	0	0
4	Other Capital Liability Accounts		
5	Proprietor's Capital		
6	Other Capital	55,652,674	41,595,367
7	Retained Earnings Reserved		
8	Unappropriated Retained Earnings	43,340,467	39,920,894
9	**Less Discount on Capital Stock**		
10	**Less Capital Stock Expense**		
11	**Total Capital Stock & Retained Earnings**	$112,747,376	$95,270,496
	Long-Term Debt		
12	Funded Debt Outstanding	102,652,904	87,678,937.64
13	Receivers Certificates		
14	Advances from Affiliated Companies		
15	Other Long-Term Debt(s)	0	0
16	**Total Long-Term Debt(s)**	$102,652,904	$87,678,938
	Current & Accrued Liabilities		
17	Notes Payable to Affiliated Companies	5,899,664	4,387,924
18	Other Notes Payable		
19	Accounts Payable to Affiliated Companies	690,705	606,352
20	Other Accounts Payable	18,772,532	45,654,983
21	Customer Deposits		
22	Matured Interest & Dividends	0	0
23	Matured Long-Term Debt(s)		
24	Advance Billing & Payments		
25	Taxes Accrued	4,758,806	3,019,698
26	Unmatured Interest, Dividends, & Rents Accrued	988,770	948,145
27	Refunds Due Customers		
28	Other Current Liabilities	2,734,695	2,616,697
29	**Total Current & Accrued Liabilities**	$33,845,172	$57,233,799
	Deferred Credits & Reserves		
30	Premium on Long-Term Debt	$	$
31	Insurance Reserve		
32	Provident Reserve		
33	Amortization Reservie		
34	Employment Stabilization Reserve		
35	Other Deferred Credits & Reserves	20,187,574	23,444,756
36	Accumulated Deferred Income Taxes	35,460,752	33,539,052
37	**Total Deferred Credits & Reserves**	$55,648,326	$56,983,808
	Contributions In Aid of Construction		
38	Contributions In Aid of Construction	18,808,619	18,009,342
	Rounding		
39	**TOTAL LIABILITIES & OTHER CREDITS**	$323,702,397	$315,176,383

WS - 3A WS - 3A

SUPPLEMENT
TO BALANCE SHEET

	As of December 31 2021	2020
1. Contributed Plant	25,411,515	24,290,725
2. Accumulated Depreciation on Contributed Plant	6,602,896	6,281,383
3. Net Contributed Plant	18,808,619	18,009,342
4. Non-Contributed Plant	389,686,164	364,061,274
5. Accumulated Depreciation on Non-Contributed	97,134,661	90,835,360
6. Net Non-Contributed Plant	292,551,503	273,225,914
7. Total Utility Plant in Service	415,097,679	388,351,999
8. Total Accumulated Depreciation	103,737,557	97,116,744
9. *TOTAL NET PLANT	$311,360,122	$291,235,256

***THIS FIGURE SHOULD BE EQUAL TO THE FIGURE REPORTED ON THE PRECEDING PAGE REPRESENTING NET FIXED ASSETS.**

List below the items included in the Contributed Plant Account:	**AMOUNT**
CIAC-Non Taxable - Other	3,083,061
CIAC-Non Taxable - Mains	5,926,236
CIAC-Non Taxable - Ext Dep	8,300,445
CIAC-Taxable - Extension Deposits	17,608
CIAC-Non Taxable - Services	492,638
CIAC-Taxable - Services	2,600,826
CIAC-Non Taxable - Meters	98,235
CIAC-Non Taxable - WIP	307,080
CIAC-Taxable - Meters	109,371
CIAC-Non Taxable - Hydrants	1,298,145
CIAC-Taxable - Hydrants	291,575
CONT IN AID Taxable Other	-
CIAC-Taxable - Mains	2,312,007
CIAC-Taxable - WIP	114,207
CIAC-Taxable - Mains FIT	380,598
CIAC-Taxable - Services FIT	42,045
CIAC-Taxable - Hydrants FIT	37,436
Accum Amort CIAC - Other	(5,502,502)
Accum Amort CIAC - Tax	(1,100,394)
TOTAL CONTRIBUTED PLANT	18,808,619

WS-4

LONG-TERM DEBT
Mortgages, Bonds, Promissory Notes & Miscellaneous Long-term Debt

Date of Issue	Date of Maturity	Description: (Bonds, Notes or Other Instruments)	Beginning of Year Balance	Principal Paid During Year	End of Year Balance	Interest Rate (%)	Interest for Year Amount	Leave This Column Blank
		General Mortgage Bonds						
10/04/1996	09/01/2026	7.84% SERIES	5,700,000		5,700,000	7.84%	446,880	
		Notes payable to affiliate						
8/13/2015	9/1/2045	4.30 % Series	14,000,000		14,000,000	4.30%	602,000	
8/14/2014	12/1/2042	4.30 % Series	10,500,000		10,500,000	4.30%	451,500	
05/19/2011	10/15/2037	5.90 % Series	2,500,000		2,500,000	5.90%	147,500	
12/17/2012	12/17/2042	4.30% Series	2,000,000		2,000,000	4.30%	86,000	
		Less: 4.30% Series bond discount	(301,383)		(327,417)			
11/20/2013	03/01/2024	3.85% Series	11,000,000		11,000,000	3.85%	423,500	
11/17/16	12/01/46	4.00% Series	8,000,000		8,000,000	4.00%	320,000	
		4.20% Series	5,000,000		5,000,000	4.20%	210,000	
		3.75% Series	19,280,321		19,280,321	3.75%	723,012	
		4.15% Series	6,000,000		6,000,000	4.15%	249,000	
		3.45% Series	4,000,000		4,000,000	3.45%	138,000	
		3.25% Series			15,000,000	3.25%	487,500	
		TOTALS	$87,678,938	$0	$102,652,904	=======	$4,284,892	

I N C O M E S T A T E M E N T

Item		As of December 31 2021	As of December 31 2020
	Operating Revenue		
1	Unmetered Revenue		
2	Metered Revenue	57,436,369	51,372,139
3	Fire Hydrant Revenue & Service	3,389,466	3,128,255
4	Revenue from Sale of Taps		
5	Sewerage Revenue		
6	Other Revenue	(2,024,348)	(3,098,389)
7	**Total Operating Revenues**	**$58,801,488**	**$51,402,006**
	Operating Expense		
8	Water Supply Expense	$3,914,138	$3,800,061
9	Pumping Expense	$0	$0
10	Purification Expense	$2,322,551	$2,254,861
11	Distribution Expense	$2,341,145	$2,272,913
12	Customer Accounting & Collection Expense	$2,317,487	$2,249,944
13	Administrative & General Expense	$14,193,403	$13,779,741
14	State, County, & Municipal Taxes	5,421,370	5,222,370
15	Federal Income Taxes	1,515,802	(565,487)
16	Other Federal Taxes		
17	Depreciation Expense	$10,697,301	$9,859,969
18	Amortization Expense	50,611	54,355
19	Other Operating Expense		
20	**Total Operating Expense**	**$42,773,807**	**$38,928,727**
21	**NET OPERATING INCOME**	**$16,027,680**	**$12,473,279**
	Other Income		
22	Dividend Income		
23	Allowance for Funds Used During Construction (AFUDC)	294,676	309,677
	Less: Federal Income Taxes on AFUDC		
24	Other Interest Income		
25	Total Interest Income		
26	Income from Non-Operating Property		
27	Miscellaneous Income	(74,992)	20,494
28	**Total Other Income**	**$219,684**	**$330,170**
	Miscellaneous Deductions from Income		
29	Miscellanueous Income Charges		
30	Federal Income Tax - Non-Operating	0	0
31	Other Non-Operating Taxes	0	0
32	Total Miscellaneous Deductions	$0	$0
33	Net Other Income		
34	**Gross Income**	**16,247,365**	**12,803,449**
	Interest & Other Dedcutions		
35	Interest on Funded Debt	$4,348,779	$3,930,978
36	Other Interest Deductions		
37	Amortization of Discount on Long-Term Debt	88,929	85,680
38	Release of Premium on Long-Term Debt-Credit		
39	Other Fixed Charges		
40	**TOTAL INTEREST & OTHER DEDUCTIONS**	**$4,437,708**	**$4,016,659**
41	**Net Income Before Extraordinary Items**	**$11,809,657**	**$8,786,791**
	Extraordinary & Delayed Items		
42	Extraordinary & Delayed Items	$	$
43	**Net Income to Retained Earnings**	**11,809,657**	**8,786,791**

EC – 6

LEASED EQUIPMENT

This schedule should include all operating equipment located in Tennessee that is leased or used by your company.

Type of Equipment	No. Of Units	Total Annual Amount of Rent	Age Of Units	Annual Depreciation Rate	Lease Expiration Date	Owner	Tax Liability Lessor or Lessee	Original Cost	Accumulated Depreciation	Depreciated Cost	Location (County & City)
		$						$	$	$	

Tennessee American Water Company
Forms WS 7 - 8

	Total TN	TN-City of Chattanooga Hamilton County	TN-Hamilton County-Outside Hamilton County	TN-Town of East Ridge Hamilton County	TN-City of Ridgeside Hamilton County	TN-Town of Lookout Mountain Hamilton County	TN-City of Whitwell Marion County	TN- City of Crossroads Marion County	TN-City of Red Bank White Oak County	TN-Marion County-Outside Marion County	TN-City of Lone Oak Sequatchie County
Meters	75,086,110	61,314,354	791,935	8,463,364	171,229	1,069,291	375,480	250,018	1,112,400	1,023,171	514,866
Mains	172,678,501	138,360,681	2,190,840	14,913,762	374,725	2,927,097	1,579,053	1,245,616	2,808,008	7,397,861	880,857
Hydrants	12,552,585	10,513,250	59,243	920,743	32,090	375,209	111,083	44,217	214,636	235,107	47,007
Total Water Distribution System	260,317,196	210,188,285	3,042,019	24,297,868	578,045	4,371,597	2,065,615	1,539,851	4,135,044	8,656,140	1,442,729
	-										
Pump and Pump Equipment	14,120,628	12,725,140	27,635	-	-	47,002	1,289,671	-	31,179	-	-
Resevoirs and Stand Pipes	18,502,611	16,614,072	737,015	-	-	93,789	738,073	-	275,662	44,000	-
Purification and Filtration	29,615,585	29,181,447		-	-	-	434,138	-	-	-	-
Miscellaneous	517,318	493,717	3,894	-	-	-	19,707	-	-	-	-
Total Water Supply and Equipment	62,756,142	59,014,376	768,544	-	-	140,791	2,481,590	-	306,842	44,000	-
	-										
General Equipment	15,500,837	14,230,467	4,017	-	-	19,603	1,177,700	-	12,016	57,034	-
	-										
CWIP	3,078,360	2,674,767	-	-	-	-	-	-	-	-	403,593
	-										
Land	3,427,438	3,287,848	-	-	-	1,749	127,564	-	10,278	-	-
	-										
Structures	49,727,608	46,730,225	505,450	-	-	20,753	1,927,684	-	543,495	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total All Property/Tennesses	394,807,581	336,125,968	4,320,030	24,297,868	578,045	4,554,493	7,780,154	1,539,851	5,007,675	8,757,174	1,846,323

EC – 9

PURCHASES AND SALES OF TENNESSEE PROPERTY

List all purchases and sales of Tennessee **real property** (including Telecommunications Towers) that occurred during the year 2021. Give all applicable information for each transaction separately. (You may copy pages as needed) Please **attach a copy of the warranty deed or sales contract.**

PURCHASES

Date of Purchase: _____

County/City: _____

Assessor's Tax Map & Parcel Number: _____

Purchase Price: _____

Physical Address: _____
Number & Street

_____ _____ _____
City State Zip

Description of Property: _____

Grantor (seller): _____

Type of Improvement: _____

SALES

Date of Sale: _____

County/City: _____

Assessor's Tax Map & Parcel Number: _____

Sale Price: _____

Physical Address: _____
Number & Street

_____ _____ _____
City State Zip

Description of Property: _____

Grantee (buyer): _____

Type of Improvement: _____

INDUSTRIAL DEVELOPMENT BOARD

Please report on this form any Industrial Development Board (IDB) or similar tax abatements information for personal and real property leased by your company. Please include scanned or paper copies of any similar agreements with city or counties for the referenced properties.

Owner Name	Lessee Name	Property Address	County Name	City Name	Estimated Value	Lease Date	Lease Terms

2024 TAWC MFG Q047_Attachment 10
Page 12 of 14

EC – 11

REAL PROPERTY UNDER CONSTRUCTION

Tennessee Code Annotated 67-5-503 provides that, "If after January 1 and before September 1 of any year, an improvement or new building is completed and ready for use or occupancy…the assessor of property shall make or correct the assessment of such property, on the basis of the value of the improvement at the time of its completion…"

List all real properties under construction or properties that **will be** completed by September 1, 2022.

County and City	Property Owner and Map Reference	Description of Improvement	Construction Cost
			$

DATE: 3/22/22

I, Michael Mupo **, being the OWNER, PRESIDENT, SECRETARY, AND/OR PARTNER OF** Tennessee American Water Company **, do hereby swear and affirm that the foregoing Ad Valorem Tax Report for the year two thousand twenty two has been prepared from only the original books, papers, and records of said respondent under my direction in accordance with Tennessee Code Annotated, §67-5-1316, and is true and correct to the best of my knowledge and belief.**

Michael Mupo

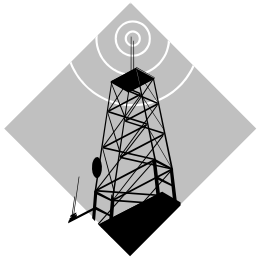
NAME

Tax Director

OFFICIAL CAPACITY







STATE OF TENNESSEE
2021
AD VALOREM TAX REPORT



COMPANY NAME Tennessee American Water Company

STREET PO Box 2738 CITY Camden STATE NJ ZIP CODE 08101
(PRINCIPAL OFFICE INFORMATION)

STREET 109 Wiehl Street CITY Chattanooga STATE TN ZIP CODE 37403
(PRINCIPAL OFFICE INFORMATION IN TENNESSEE)

PHONE NUMBER ( ) 856-955-4214 FAX NUMBER ( )

COMPANY WEB SITE www.amwater.com/tn/

EMAIL ADDRESS

Visit our website at:
www.comptroller.tn.gov/sap

MAIL REPORT TO:

COMPTROLLER OF THE TREASURY
OFFICE OF STATE ASSESSED PROPERTIES
Cordell Hull Building
425 Rep. John Lewis Way N.
Nashville, TN 37243-3400
(615) 741-0140 FAX (615) 741-0142

****This report must be filed with this office by April 1, 2021****

WS – 1

1. Company Name: Tennessee American Water Company

2. Principal Office Location: 109 Wiehl Street (Number & Street)

Chattanooga (City) TN (State) 37403 (Zip)

3. Is Company _____ **INDIVIDUAL?** _____ **PARTNERSHIP?** X **CORPORATION?**
_____ **COOPERATIVE?** _____ **OTHER?**

4. If a **CORPORATION** or **OTHER** similar enterprise, supply the following information:

Under laws of what state organized: TN — Date organized: 02/19/1869
Add charter of incorporation or similar enterprise. — Date dissolved: _____

Under laws of what state organized: _____ — Date organized: _____

5. Name & address of **PRESIDENT, OWNER, OR PARTNER**: Grant Evitts (Name)

President (Position/Title) 109 Wiehl Street (Number & Street) Chattanooga (City) TN (State) 37403 (Zip)

6. Name & address of **GENERAL MANAGER**: _____ (Name)

_____ (Number & Street) _____ (City) _____ (State) _____ (Zip)

7. **GROSS** Investment in SYSTEM plant and property December 31, 2020 — $ 388,351,999

8. **NET** Investment in SYSTEM plant and property December 31, 2020 — $ 291,235,256

9. SYSTEM GROSS Revenue (Income) for year ended December 31, 2020 — $ 51,402,005

10. SYSTEM NET OPERATING Revenue (Income) for year ended December 31, 2020 — $ 12,473,278

11. Amount of LOANS FROM FEDERAL AGENCIES, if any — $

12. Indicate stock & debt of company:

	Amount Authorized	No. of Shares or Amount Issued	Book or Par Value	Market or Cash Value
Preferred Stock				
Common Stock	20,000,000	13,754,235	1.0	
Bonds				
Other Long-Term Debts				

13. State surplus at beginning of 2020 $ NA End of 2020 $ NA

14. State amount of dividends paid for the year 2020: Preferred $ _____ Common $ _____

15. State exact dollar amount of FEDERAL INCOME TAX ACTUALLY PAID OR OWED FOR 2020 as reported on your Federal Income Tax Return $ Federal return on extension

16. State ACTUAL CASH or MARKET VALUE of all Tennessee plant and property as of January 1, 2021 $ 0

WS – 1A

17. State NET additions (additions less retirements) to Tennessee plant and property for:
2019 $ 23,459,202 2020 $ 33,493,730

18. Total number of subscribers in Tennessee 75,787

19. Does your company operate solely (100%) in Tennessee? _____ YES X NO

If you checked "YES" it will not be necessary to complete questions 20-27.
If you checked "NO" **you must** complete questions 20-27.

20. GROSS Investment in Tennessee plant and property December 31, 2020 $ 384,867,483

21. NET Investment in Tennessee plant and property December 31, 2020 $ 288,622,127

22. TENNESSEE GROSS Revenue (Income) for year ended December 31, 2020 $ 47,468,578

23. TENNESSEE NET OPERATING Revenue (Income) for year ended December 31, 2020 $ 11,518,787

24. Percent of TENNESSEE GROSS Investment as compared to SYSTEM GROSS Investment in plant and property December 31, 2020 99 %

25. Percent of TENNESSEE NET Investment as compared to SYSTEM NET Investment in plant and property December 31, 2020 99 %

26. Percent of TENNESSEE GROSS Revenue (Income) as compared to SYSTEM GROSS Revenue (Income) for year ended December 31, 2020 92 %

27. Percent of TENNESSEE NET OPERATING Revenue (Income) as compared to SYSTEM NET OPERATING Revenue (Income) for year ended December 31, 2020 92 %

28. Does your company or its parent holding company file the following? **Check all that apply:**

_____ a. SEC Form 10-K

X b. Annual report to stockholders

File one copy of each of the items checked in item 28 with the Comptroller of the Treasury, Office of State Assessed Properties.

29. What was the date of your last rate case? 06/01/2012 Was the case heard by a state PSC or a federal entity? PSC What was the return on equity granted? 10 %

30. Special questions regarding this report should be directed to:

NAME: Alison Cislo

TITLE: Tax Supervisor

ADDRESS: 1 Water Street
Number & Street

Camden (City) NJ (State) 08101 (Zip)

PHONE NUMBER: ( ) 856-955-4214

FAX NUMBER: ( )

E-MAIL ADDRESS alison.cislo@amwater.com

B A L A N C E S H E E T

Item	ASSETS	As of December 31 2020	2019
	Fixed Assets		
1	Utility Plant in Service	387,192,127	354,113,607
2	Plant Under Construction	4,909,451	4,461,363
	Plant Under Construction-Affiliate		30,537,025
3	Property Held for Future Use		
4	Plant Acquisition Adjustment	(3,749,579)	
5	Total Fixed Assets	388,351,999	358,574,970
6	**LESS Depreciation & Amortization Reserve**	97,116,744	93,829,314
7	**Net Fixed Assets**	$291,235,256	$264,745,656
	Other Property & Investments		
*8	Non-Utility Property	$ $	
9	**LESS Accumulated Depreciation**		
10	Net Non-Utility Property	0	0
*11	**Investment in Affiliated Companies**		
*12	**Other Investments**		
13	Miscellaneous Physical Property	0	0
14	Sinking Funds		
15	Other Fund Accounts - Intangibles	0	0
16	**Total Other Property & Investments**	$0	$0
	Current Assets		
17	Cash	254,280	336,527
18	Special Cash Deposits		
19	Working Funds	0	0
20	Temporary Cash Investments		
21	Notes Receivable from Affiliated Companies		
22	Other Notes Receivable		
23	Due from Customers & Agent - Net	3,837,972	3,909,080
24	Accounts Receivable from Affiliated Companies Net	12,457,344	4,015,080
25	Other Accounts Receivable - Net	79,476	93,514
26	Interest & Dividends Receivable		
27	Pre-payments	642,107	475,761
28	Materials and Supplies	995,953	894,617
29	Liquefied Natural Gas Stored		
30	Subscriptions to Security Issues		
31	Other Current Assets	1,785,391	2,301,373
32	**Total Current Assets**	20,052,522	12,025,952
	Deferred Charges		
33	Discount on Long-Term Debt	1,197,244	1,292,375
34	Extraordinary Maintenance & Retirements		
35	Clearing Accounts		0
36	Other Deferred Charges	2,691,362	1,204,646
37	**Total Deferred Charges**	3,888,606	2,497,021
38	**TOTAL ASSETS**	315,176,383	$279,268,629

***GIVE A DETAILED BREAKDOWN & DESCRIPTION OF THIS TYPE OF PROPERTY INVESTMENT**

B A L A N C E S H E E T

WS - 3

Item	LIABILITIES & OTHER CREDITS	As of December 31 2020	As of December 31 2019
	Capital Stock & Retained Earnings		
1	Common Capital Stock Outstanding	$13,754,235	$13,754,235
2	Preferred Capital Stock Outstanding	0	0
3	Premiums on Capital Stock	0	0
4	Other Capital Liability Accounts		
5	Proprietor's Capital		
6	Other Capital	41,595,367	41,580,922
7	Retained Earnings Reserved		
8	Unappropriated Retained Earnings	39,920,894	38,423,848
9	**Less Discount on Capital Stock**		
10	**Less Capital Stock Expense**		
11	**Total Capital Stock & Retained Earnings**	$95,270,496	$93,759,006
	Long-Term Debt		
12	Funded Debt Outstanding	87,678,938	83,671,143.00
13	Receivers Certificates		
14	Advances from Affiliated Companies		
15	Other Long-Term Debt(s)	0	7,642
16	**Total Long-Term Debt(s)**	$87,678,938	$83,678,785
	Current & Accrued Liabilities		
17	Notes Payable to Affiliated Companies	4,387,924	3,548,360
18	Other Notes Payable		
19	Accounts Payable to Affiliated Companies	606,352	4,869,385
20	Other Accounts Payable	45,654,983	12,459,404
21	Customer Deposits		
22	Matured Interest & Dividends	0	0
23	Matured Long-Term Debt(s)		
24	Advance Billing & Payments		
25	Taxes Accrued	3,019,698	3,196,497
26	Unmatured Interest, Dividends, & Rents Accrued	948,145	925,145
27	Refunds Due Customers		
28	Other Current Liabilities	2,616,697	2,187,361
29	**Total Current & Accrued Liabilities**	$57,233,799	$27,186,152
	Deferred Credits & Reserves		
30	Premium on Long-Term Debt	$	$
31	Insurance Reserve		
32	Provident Reserve		
33	Amortization Reservie		
34	Employment Stabilization Reserve		
35	Other Deferred Credits & Reserves	23,444,756	26,339,864
36	Accumulated Deferred Income Taxes	33,539,052	30,434,532
37	**Total Deferred Credits & Reserves**	$56,983,808	$56,774,396
	Contributions In Aid of Construction		
38	Contributions In Aid of Construction	18,009,342	17,870,292
	Rounding		
39	**TOTAL LIABILITIES & OTHER CREDITS**	$315,176,383	$279,268,631

WS - 3A WS - 3A

SUPPLEMENT
TO BALANCE SHEET

	As of December 31 2020	2019
1. Contributed Plant	24,290,725	$23,450,541
2. Accumulated Depreciation on Contributed Plant	6,281,383	5,652,913
3. Net Contributed Plant	18,009,342	17,797,628
4. Non-Contributed Plant	364,061,274	311,665,227
5. Accumulated Depreciation on Non-Contributed	90,835,360	85,167,147
6. Net Non-Contributed Plant	273,225,914	226,498,080
7. Total Utility Plant in Service	388,351,999	335,115,768
8. Total Accumulated Depreciation	97,116,744	90,820,060
9. *TOTAL NET PLANT	$291,235,256	$244,295,708

***THIS FIGURE SHOULD BE EQUAL TO THE FIGURE REPORTED ON THE PRECEDING PAGE REPRESENTING NET FIXED ASSETS.**

List below the items included in the Contributed Plant Account:	**AMOUNT**
CIAC-Non Taxable - Other	2,979,061
CIAC-Non Taxable - Mains	5,926,236
CIAC-Non Taxable - Ext Dep	7,924,695
CIAC-Taxable - Extension Deposits	17,608
CIAC-Non Taxable - Services	492,638
CIAC-Taxable - Services	2,284,929
CIAC-Non Taxable - Meters	98,235
CIAC-Non Taxable - WIP	-
CIAC-Taxable - Meters	108,370
CIAC-Non Taxable - Hydrants	1,292,804
CIAC-Taxable - Hydrants	286,401
CONT IN AID Taxable Other	-
CIAC-Taxable - Mains	2,247,720
CIAC-Taxable - WIP	244,191
CIAC-Taxable - Mains FIT	346,289
CIAC-Taxable - Services FIT	97
CIAC-Taxable - Hydrants FIT	41,450
Accum Amort CIAC - Other	(5,255,636)
Accum Amort CIAC - Tax	(1,025,748)
TOTAL CONTRIBUTED PLANT	18,009,342

WS-4

LONG-TERM DEBT
Mortgages, Bonds, Promissory Notes & Miscellaneous Long-term Debt

Date of Issue	Date of Maturity	Description: (Bonds, Notes or Other Instruments)	Beginning of Year Balance	Principal Paid During Year	End of Year Balance	Interest Rate (%)	Interest for Year Amount	Leave This Column Blank
		General Mortgage Bonds						
10/04/1996	09/01/2026	7.84% SERIES	5,700,000		5,700,000	7.84%	446,880	
		Notes payable to affiliate						
8/13/2015	9/1/2045	4.30 % Series	14,000,000		14,000,000	4.30%	602,000	
8/14/2014	12/1/2042	4.30 % Series	10,500,000		10,500,000	4.30%	451,500	
05/19/2011	10/15/2037	5.90 % Series	2,500,000		2,500,000	5.90%	147,500	
12/17/2012	12/17/2042	4.30% Series	2,000,000		2,000,000	4.30%	86,000	
		Less: 4.30% Series bond discount	(309,178)		(301,383)			
11/20/2013	03/01/2024	3.85% Series	11,000,000		11,000,000	3.85%	423,500	
11/17/16	12/01/46	4.00% Series	8,000,000		8,000,000	4.00%	320,000	
		4.20% Series	5,000,000		5,000,000	4.20%	210,000	
		3.75% Series	19,280,321		19,280,321	3.75%	723,012	
			6,000,000		6,000,000	4.15%	249,000	
					4,000,000	3.45%	138,000	
		TOTALS	$83,671,143	$0	$87,678,938	=======	$3,797,392	

I N C O M E S T A T E M E N T

Item		As of December 31 2020	As of December 31 2019
	Operating Revenue		
1	Unmetered Revenue		
2	Metered Revenue	51,372,139	51,240,349
3	Fire Hydrant Revenue & Service	3,128,255	2,842,412
4	Revenue from Sale of Taps		
5	Sewerage Revenue		
6	Other Revenue	(3,098,389)	532,393
7	**Total Operating Revenues**	**$51,402,006**	**$54,615,155**
	Operating Expense		
8	Water Supply Expense	$3,800,061	$3,725,265
9	Pumping Expense	$0	0
10	Purification Expense	$2,254,861	2,210,479
11	Distribution Expense	$2,272,913	2,228,175
12	Customer Accounting & Collection Expense	$2,249,944	2,205,659
13	Administrative & General Expense	$13,779,741	13,508,516
14	State, County, & Municipal Taxes	5,222,370	4,998,856
15	Federal Income Taxes	(565,487)	3,512,153
16	Other Federal Taxes		
17	Depreciation Expense	$9,859,969	$8,886,129
18	Amortization Expense	54,355	51,494
19	Other Operating Expense		
20	**Total Operating Expense**	**$38,928,727**	**$41,326,727**
21	**NET OPERATING INCOME**	**$12,473,279**	**$13,288,428**
	Other Income		
22	Dividend Income		
23	Allowance for Funds Used During Construction (AFUDC)	309,677	713,744
	Less: Federal Income Taxes on AFUDC		
24	Other Interest Income		
25	Total Interest Income		
26	Income from Non-Operating Property		
27	Miscellaneous Income	20,494	6,906
28	**Total Other Income**	**$330,170**	**$720,650**
	Miscellaneous Deductions from Income		
29	Miscellanueous Income Charges		
30	Federal Income Tax - Non-Operating	0	739
31	Other Non-Operating Taxes	0	0
32	Total Miscellaneous Deductions	$0	$739
33	Net Other Income		
34	**Gross Income**	**12,803,449**	**14,008,339**
	Interest & Other Dedcutions		
35	Interest on Funded Debt	$3,930,978	$3,825,462
36	Other Interest Deductions		
37	Amortization of Discount on Long-Term Debt	85,680	86,396
38	Release of Premium on Long-Term Debt-Credit		
39	Other Fixed Charges		
40	**TOTAL INTEREST & OTHER DEDUCTIONS**	**$4,016,659**	**$3,911,858**
41	**Net Income Before Extraordinary Items**	**$8,786,791**	**$10,096,481**
	Extraordinary & Delayed Items		
42	Extraordinary & Delayed Items	$	$
43	**Net Income to Retained Earnings**	**8,786,791**	**10,096,481**

N

WS – 6

LEASED EQUIPMENT

This schedule should include all operating equipment located in Tennessee that is leased or used by your company.

Type of Equipment	No. Of Units	Total Annual Amount of Rent	Age Of Units	Annual Depreciation Rate	Lease Expiration Date	Owner	Tax Liability Lessor or Lessee	Original Cost	Accumulated Depreciation	Depreciated Cost	Location (County & City)
		$						$	$	$	

Tennessee American Water Company
Forms WS 7 - 8

	Total TN	TN-City of Chattanooga Hamilton County	TN-Hamilton County-Outside Hamilton County	TN-Town of East Ridge Hamilton County	TN-City of Ridgeside Hamilton County	TN-Town of Lookout Mountain Hamilton County	TN-City of Whitwell Marion County	TN- City of Crossroads Marion County	TN-City of Red Bank White Oak County	TN-Marion County-Outside Marion County	TN-City of Lone Oak Sequatchie County	TN - Jasper Highlands Marion County
Meters	70,664,176.37	57,694,131.00	761,602.00	8,124,613.00	162,647.00	1,006,003.00	313,716.00	207,875.00	1,095,467.00	728,324.00	531,353.00	38,445
Mains	164,588,246.45	132,706,919.00	2,152,923.00	14,322,929.00	361,527.00	2,819,897.00	710,717.00	565,089.00	2,333,958.00	2,515,833.00	882,975.00	5,215,479
Hydrants	11,299,579.92	9,426,275.00	55,698.00	819,870.00	28,963.00	338,642.00	107,756.00	42,257.00	211,546.00	126,771.00	46,641.00	95,161
Total Water Distribution System	246,552,002.74	199,827,325.00	2,970,223.00	23,267,412.00	553,137.00	4,164,542.00	1,132,189.00	815,221.00	3,640,971.00	3,370,928.00	1,460,969.00	5,349,085.74
Pump and Pump Equipment	10,420,502.21	9,074,086.65	-	-	-	47,335.00	1,243,541.00	-	31,400.00	-	-	24,140
Resevoirs and Stand Pipes	17,152,388.57	15,499,672.00	-	-	-	93,789.00	479,729.00	-	298,184.00	44,000.00	-	737,015
Purification and Filtration	30,034,643.00	29,615,918.00	-	-	-	-	418,725.00	-	-	-	-	
Miscellaneous	513,424.00	493,717.00	-	-	-	-	19,707.00	-	-	-	-	
Total Water Supply and Equipment	58,120,957.78	54,683,393.65	-	-	-	141,124.00	2,161,702.00	-	329,584.00	44,000.00	-	761,154.13
General Equipment	13,781,251.00	12,452,522.00	-	-	-	19,640.00	1,239,908.00	-	12,039.00	57,142.00	-	
CWIP	3,052,404.87	1,833,519.09	-	-	-	-	-	-	-	-	410,214.86	808,671
Land	3,433,948.00	3,294,361.00	-	-	-	1,749.00	127,560.00	-	10,278.00	-	-	
Structures	46,436,806.21	43,556,045.00	-	-	-	20,793.00	1,931,360.00	-	544,560.00	-	-	384,048
	-	-	-	-	-	-	-	-	-	-	-	
Total All Property/Tennesses	371,377,370.60	315,647,165.74	2,970,223.00	23,267,412.00	553,137.00	4,347,848.00	6,592,719.00	815,221.00	4,537,432.00	3,472,070.00	1,871,183.86	7,302,959.00

WS – 9

PURCHASES AND SALES OF TENNESSEE PROPERTY

List all purchases and sales of **Tennessee real property** (including Telecommunications Towers) that occurred during the year 2020. Give all applicable information for each transaction separately. (You may copy pages as needed) **Please attach a copy of the warranty deed or sales contract.**

PURCHASES

Date of Purchase: Jasper Highlands Water

County/City: Marion County/

Assessor's Tax Map & Parcel Number:

Purchase Price: $2,400,00

Physical Address: Timber Ridge
Number & Street

Jaspe (City) TN (State) (Zip)

Description of Property: Water

Grantor (seller): Thunder Air,

Type of Improvement:

SALES

Date of Sale:

County/City:

Assessor's Tax Map & Parcel Number:

Sale Price:

Physical Address:
Number & Street

City State Zip

Description of Property:

Grantee (buyer):

Type of Improvement:

N

WS– 10

INDUSTRIAL DEVELOPMENT BOARD

Please report on this form any Industrial Development Board (IDB) or similar tax abatements information for personal and real property leased by your company. Please include scanned or paper copies of any similar agreements with city or counties for the referenced properties.

Owner Name	Lessee Name	Property Address	County Name	City Name	Estimated Value	Lease Date	Lease Terms

NA

WS – 11

REAL PROPERTY UNDER CONSTRUCTION

Tennessee Code Annotated 67-5-503 provides that, "If after January 1 and before September 1 of any year, an improvement or new building is completed and ready for use or occupancy…the assessor of property shall make or correct the assessment of such property, on the basis of the value of the improvement at the time of its completion…"

List all real properties under construction or properties that **will be** completed by September 1, 2021.

County and City	Property Owner and Map Reference	Description of Improvement	Construction Cost
			$

DATE: 3/29/21

I, Michael J. Mupo, being the OWNER, PRESIDENT, SECRETARY, AND/OR PARTNER OF Tennessee American Water Co, do hereby swear and affirm that the foregoing Ad Valorem Tax Report for the year two thousand twenty has been prepared from only the original books, papers, and records of said respondent under my direction in accordance with Tennessee Code Annotated, §67-5-1316, and is true and correct to the best of my knowledge and belief.

Michael J Mupo
NAME

General Tax Manager
OFFICIAL CAPACITY

ST NYU5

Form 940 for 2021: Employer's Annual Federal Unemployment (FUTA) Tax Return

850113

Department of the Treasury — Internal Revenue Service

OMB No. 1545-0028

Employer identification number (EIN) 62-0529095

Name *(not your trade name)* TENNESSEE AMERICAN WATER

Trade name *(if any)*

Address 1 WATER STREET
Number Street Suite or room number

CAMDEN | NJ | 08102
City State ZIP code

Foreign country name | Foreign province/county | Foreign postal code

Type of Return
(Check all that apply.)

- ☐ **a.** Amended
- ☐ **b.** Successor employer
- ☐ **c.** No payments to employees in 2021
- ☐ **d.** Final: Business closed or stopped paying wages

Go to *www.irs.gov/Form940* for instructions and the latest information.

Read the separate instructions before you complete this form. Please type or print within the boxes.

Part 1: Tell us about your return. If any line does NOT apply, leave it blank. See instructions before completing Part 1.

1a If you had to pay state unemployment tax in one state only, enter the state abbreviation . **1a** TN

1b If you had to pay state unemployment tax in more than one state, you are a multi-state employer . . . **1b** ☐ Check here. Complete Schedule A (Form 940).

2 If you paid wages in a state that is subject to CREDIT REDUCTION . . . **2** ☐ Check here. Complete Schedule A (Form 940).

Part 2: Determine your FUTA tax before adjustments. If any line does NOT apply, leave it blank.

3 Total payments to all employees . . . **3** 8,508,541.27

4 Payments exempt from FUTA tax . . . **4** 34,268.92

Check all that apply: **4a** ☒ Fringe benefits **4b** ☒ Group-term life insurance **4c** ☐ Retirement/Pension **4d** ☒ Dependent care **4e** ☐ Other

5 Total of payments made to each employee in excess of $7,000 . . . **5** 7,667,234.50

6 Subtotal (line 4 + line 5 = line 6) . . . **6** 7,701,503.42

7 Total taxable FUTA wages (line 3 - line 6 = line 7) See instructions . . . **7** 807,037.85

8 FUTA tax before adjustments (line 7 x 0.006 = line 8) . . . **8** 4,842.23

Part 3: Determine your adjustments. If any line does NOT apply, leave it blank.

9 If ALL of the taxable FUTA wages you paid were excluded from state unemployment tax, multiply line 7 by 0.054 (line 7 x 0.054 = line 9). Go to line 12 . . . **9**

10 If SOME of the taxable FUTA wages you paid were excluded from state unemployment tax, OR you paid ANY state unemployment tax late (after the due date for filing Form 940), complete the worksheet in the instructions. Enter the amount from line 7 of the worksheet . . **10**

11 If credit reduction applies, enter the total from Schedule A (Form 940) . . . **11**

Part 4: Determine your FUTA tax and balance due or overpayment. If any line does NOT apply, leave it blank.

12 Total FUTA tax after adjustments (lines 8 + 9 + 10 + 11 = line 12) . . . **12** 4,842.23

13 FUTA tax deposited for the year, including any overpayment applied from a prior year . **13** 4,842.23

14 Balance due. If line 12 is more than line 13, enter the excess on line 14.
- If line 14 is more than $500, you must deposit your tax.
- If line 14 is $500 or less, you may pay with this return. See instructions . . . **14**

15 Overpayment. If line 13 is more than line 12, enter the excess on line 15 and check a box below. **15**

▶ You **MUST** complete both pages of this form and **SIGN** it.

Check one: ☐ Apply to next return. ☐ Send a refund.

Next ➡

850212

Name *(not your trade name)*	Employer identification number (EIN)
TENNESSEE AMERICAN WATER	62-0529095

Part 5: Report your FUTA tax liability by quarter only if line 12 is more than $500. If not, go to Part 6.

16 Report the amount of your FUTA tax liability for each quarter; do NOT enter the amount you deposited. If you had no liability for a quarter, leave the line blank.

16a	**1st quarter** (January 1 - March 31) **16a**	4,740.34
16b	**2nd quarter** (April 1 - June 30) **16b**	17.89
16c	**3rd quarter** (July 1 - September 30) **16c**	84.00
16d	**4th quarter** (October 1 - December 31) **16d**	
17	**Total tax liability for the year** (lines 16a + 16b + 16c + 16d = line 17) **17**	4,842.23

Total must equal line 12.

Part 6: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

☐ **Yes.** Designee's name and phone number

Select a 5-digit Personal Identification Number (PIN) to use when talking to the IRS ☐☐☐☐☐

☐ **No.**

Part 7: Sign here. You MUST complete both pages of this form and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that no part of any payment made to a state unemployment fund claimed as a credit was, or is to be, deducted from the payments made to employees. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

X **Sign your name here** W. Corwin

Print your name here: W CORWIN

Print your title here: ADP ATTY-IN-FACT

Date: 02/11/22

Best daytime phone: 877-706-0510

Paid Preparer Use Only

Check if you are self-employed ☐

Preparer's name

PTIN

Preparer's signature

Date / /

Firm's name (or yours if self-employed)

EIN

Address

Phone

City

State

ZIP code

ST NYU5

Form **940 for 2022: Employer's Annual Federal Unemployment (FUTA) Tax Return** 850113

Department of the Treasury — Internal Revenue Service OMB No. 1545-0028

Employer identification number (EIN) 62-0529095

Name *(not your trade name)* TENNESSEE AMERICAN WATER

Trade name *(if any)*

Address 1 WATER STREET
Number Street Suite or room number

CAMDEN | NJ | 08102
City State ZIP code

Foreign country name | Foreign province/county | Foreign postal code

Type of Return (Check all that apply.)

- [ ] **a.** Amended
- [ ] b. Successor employer
- [ ] **c.** No payments to employees in 2022
- [ ] **d.** Final: Business closed or stopped paying wages

Go to *www.irs.gov/Form940* for instructions and the latest information.

Read the separate instructions before you complete this form. Please type or print within the boxes.

Part 1: Tell us about your return. If any line does NOT apply, leave it blank. See instructions before completing Part 1.

1a **If you had to pay state unemployment tax in one state only, enter the state abbreviation .** 1a

1b **If you had to pay state unemployment tax in more than one state, you are a multi-state employer** . . . . . 1b [X] Check here. Complete Schedule A (Form 940).

2 **If you paid wages in a state that is subject to CREDIT REDUCTION** . . . . . 2 [ ] Check here. Complete Schedule A (Form 940).

Part 2: Determine your FUTA tax before adjustments. If any line does NOT apply, leave it blank.

3 **Total payments to all employees** 3 8,431,484.99

4 **Payments exempt from FUTA tax** 4 37,017.08

Check all that apply: 4a [X] Fringe benefits 4b [X] Group-term life insurance 4c [ ] Retirement/Pension 4d [X] Dependent care 4e [ ] Other

5 **Total of payments made to each employee in excess of $7,000** 5 7,606,297.99

6 **Subtotal** (line 4 + line 5 = line 6) 6 7,643,315.07

7 **Total taxable FUTA wages** (line 3 - line 6 = line 7) See instructions 7 788,169.92

8 **FUTA tax before adjustments** (line 7 x 0.006 = line 8) 8 4,729.02

Part 3: Determine your adjustments. If any line does NOT apply, leave it blank.

9 **If ALL of the taxable FUTA wages you paid were excluded from state unemployment tax, multiply line 7 by 0.054** (line 7 x 0.054 = line 9). Go to line 12 9

10 **If SOME of the taxable FUTA wages you paid were excluded from state unemployment tax, OR you paid ANY state unemployment tax late** (after the due date for filing Form 940), complete the worksheet in the instructions. Enter the amount from line 7 of the worksheet . . 10

11 **If credit reduction applies,** enter the total from Schedule A (Form 940) 11

Part 4: Determine your FUTA tax and balance due or overpayment. If any line does NOT apply, leave it blank.

12 **Total FUTA tax after adjustments** (lines 8 + 9 + 10 + 11 = line 12) 12 4,729.02

13 **FUTA tax deposited for the year, including any overpayment applied from a prior year** . 13 4,729.03

14 **Balance due.** If line 12 is more than line 13, enter the excess on line 14.
- If line 14 is more than $500, you must deposit your tax.
- If line 14 is $500 or less, you may pay with this return. See instructions 14

15 **Overpayment.** If line 13 is more than line 12, enter the excess on line 15 and check a box below. 15 0.01

You **MUST** complete both pages of this form and **SIGN** it. Check one: [ ] Apply to next return. [X] Send a refund.

850212

Name *(not your trade name)*	Employer identification number (EIN)
TENNESSEE AMERICAN WATER	62-0529095

Part 5: Report your FUTA tax liability by quarter only if line 12 is more than $500. If not, go to Part 6.

16 Report the amount of your FUTA tax liability for each quarter; do NOT enter the amount you deposited. If you had no liability for a quarter, leave the line blank.

16a	**1st quarter** (January 1 - March 31) **16a**	4,495.50
16b	**2nd quarter** (April 1 - June 30) **16b**	45.69
16c	**3rd quarter** (July 1 - September 30) **16c**	86.27
16d	**4th quarter** (October 1 - December 31) **16d**	101.56
17	**Total tax liability for the year** (lines 16a + 16b + 16c + 16d = line 17) **17**	4,729.02

Total must equal line 12.

Part 6: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

☐ **Yes.** Designee's name and phone number

Select a 5-digit Personal Identification Number (PIN) to use when talking to the IRS ☐☐☐☐☐

☐ **No.**

Part 7: Sign here. You MUST complete both pages of this form and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that no part of any payment made to a state unemployment fund claimed as a credit was, or is to be, deducted from the payments made to employees. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign your name here W. Corwin

Print your name here: W CORWIN

Print your title here: ADP ATTY-IN-FACT

Date: 02/03/23

Best daytime phone: 877-706-0510

Paid Preparer Use Only

Check if you are self-employed ☐

Preparer's name

PTIN

Preparer's signature

Date / /

Firm's name (or yours if self-employed)

EIN

Address

Phone

City

State

ZIP code

Schedule A (Form 940) for 2022:

860312

Multi-State Employer and Credit Reduction Information

Department of the Treasury - Internal Revenue Service

OMB No. 1545-0028

See the instructions on page 2. File this schedule with Form 940.

Employer identification number (EIN) 62-0529095

Name *(not your trade name)* TENNESSEE AMERICAN WATER

Place an "X" in the box of EVERY state in which you had to pay state unemployment tax this year. For each state with a credit reduction rate greater than zero, enter the FUTA taxable wages, multiply by the reduction rate, and enter the credit reduction amount. Don't include in the *FUTA Taxable Wages* box wages that were excluded from state unemployment tax (see the instructions for Step 2). If any states don't apply to you, leave them blank.

Postal Abbreviation	FUTA Taxable Wages	Reduction Rate	Credit Reduction	Postal Abbreviation	FUTA Taxable Wages	Reduction Rate	Credit Reduction
☐ AK	.	x 0.000	.	☐ NC	.	x 0.000	.
☐ AL	.	x 0.000	.	☐ ND	.	x 0.000	.
☐ AR	.	x 0.000	.	☐ NE	.	x 0.000	.
☐ AZ	.	x 0.000	.	☐ NH	.	x 0.000	.
☐ CA	.	x 0.003	.	☐ NJ	.	x 0.000	.
☐ CO	.	x 0.000	.	☐ NM	.	x 0.000	.
☐ CT	.	x 0.003	.	☐ NV	.	x 0.000	.
☐ DC	.	x 0.000	.	☐ NY	.	x 0.003	.
☐ DE	.	x 0.000	.	☐ OH	.	x 0.000	.
☐ FL	.	x 0.000	.	☐ OK	.	x 0.000	.
☐ GA	.	x 0.000	.	☐ OR	.	x 0.000	.
☐ HI	.	x 0.000	.	☒ PA	.	x 0.000	.
☐ IA	.	x 0.000	.	☐ RI	.	x 0.000	.
☐ ID	.	x 0.000	.	☐ SC	.	x 0.000	.
☐ IL	.	x 0.003	.	☐ SD	.	x 0.000	.
☐ IN	.	x 0.000	.	☒ TN	.	x 0.000	.
☐ KS	.	x 0.000	.	☐ TX	.	x 0.000	.
☐ KY	.	x 0.000	.	☐ UT	.	x 0.000	.
☐ LA	.	x 0.000	.	☐ VA	.	x 0.000	.
☐ MA	.	x 0.000	.	☐ VT	.	x 0.000	.
☐ MD	.	x 0.000	.	☐ WA	.	x 0.000	.
☐ ME	.	x 0.000	.	☐ WI	.	x 0.000	.
☐ MI	.	x 0.000	.	☐ WV	.	x 0.000	.
☐ MN	.	x 0.000	.	☐ WY	.	x 0.000	.
☐ MO	.	x 0.000	.	☐ PR	.	x 0.000	.
☐ MS	.	x 0.000	.	☐ VI	.	x 0.036	.
☐ MT	.	x 0.000	.				

Total Credit Reduction. Add all amounts shown in the *Credit Reduction* boxes. Enter the total here and on Form 940, line 11 . . . . . 0.00

ST NYU5

Form **940 for 2023: Employer's Annual Federal Unemployment (FUTA) Tax Return** 850113

Department of the Treasury — Internal Revenue Service OMB No. 1545-0028

Employer identification number (EIN) 62-0529095

Name *(not your trade name)* TENNESSEE AMERICAN WATER

Trade name *(if any)*

Address 1 WATER STREET
Number Street Suite or room number

CAMDEN NJ 08102
City State ZIP code

Foreign country name Foreign province/county Foreign postal code

Type of Return (Check all that apply.)

- [ ] **a.** Amended
- [ ] b. Successor employer
- [ ] **c.** No payments to employees in 2023
- [ ] **d.** Final: Business closed or stopped paying wages

Go to *www.irs.gov/Form940* for instructions and the latest information.

Read the separate instructions before you complete this form. Please type or print within the boxes.

Part 1: Tell us about your return. If any line does NOT apply, leave it blank. See instructions before completing Part 1.

1a **If you had to pay state unemployment tax in one state only, enter the state abbreviation .** 1a

1b **If you had to pay state unemployment tax in more than one state, you are a multi-state employer** . . . . . 1b [X] Check here. Complete Schedule A (Form 940).

2 **If you paid wages in a state that is subject to CREDIT REDUCTION** . . . . . 2 [ ] Check here. Complete Schedule A (Form 940).

Part 2: Determine your FUTA tax before adjustments. If any line does NOT apply, leave it blank.

3 **Total payments to all employees** 3 8,941,947.99

4 **Payments exempt from FUTA tax** 4 43,256.55

Check all that apply: 4a [X] Fringe benefits 4b [X] Group-term life insurance 4c [ ] Retirement/Pension 4d [X] Dependent care 4e [ ] Other

5 **Total of payments made to each employee in excess of $7,000** 5 8,130,883.48

6 **Subtotal** (line 4 + line 5 = line 6) 6 8,174,140.03

7 **Total taxable FUTA wages** (line 3 - line 6 = line 7) See instructions 7 767,807.96

8 **FUTA tax before adjustments** (line 7 x 0.006 = line 8) 8 4,606.85

Part 3: Determine your adjustments. If any line does NOT apply, leave it blank.

9 **If ALL of the taxable FUTA wages you paid were excluded from state unemployment tax, multiply line 7 by 0.054** (line 7 x 0.054 = line 9). Go to line 12 9

10 **If SOME of the taxable FUTA wages you paid were excluded from state unemployment tax, OR you paid ANY state unemployment tax late** (after the due date for filing Form 940), complete the worksheet in the instructions. Enter the amount from line 7 of the worksheet . . 10

11 **If credit reduction applies,** enter the total from Schedule A (Form 940) 11

Part 4: Determine your FUTA tax and balance due or overpayment. If any line does NOT apply, leave it blank.

12 **Total FUTA tax after adjustments** (lines 8 + 9 + 10 + 11 = line 12) 12 4,606.85

13 **FUTA tax deposited for the year, including any overpayment applied from a prior year** . 13 4,606.85

14 **Balance due.** If line 12 is more than line 13, enter the excess on line 14.
- If line 14 is more than $500, you must deposit your tax.
- If line 14 is $500 or less, you may pay with this return. See instructions 14

15 **Overpayment.** If line 13 is more than line 12, enter the excess on line 15 and check a box below. 15

You **MUST** complete both pages of this form and **SIGN** it. Check one: [ ] Apply to next return. [ ] Send a refund.

850212

Name *(not your trade name)*	Employer identification number (EIN)
TENNESSEE AMERICAN WATER	62-0529095

Part 5: Report your FUTA tax liability by quarter only if line 12 is more than $500. If not, go to Part 6.

16 Report the amount of your FUTA tax liability for each quarter; do NOT enter the amount you deposited. If you had no liability for a quarter, leave the line blank.

16a	**1st quarter** (January 1 - March 31) **16a**	4,210.22
16b	**2nd quarter** (April 1 - June 30) **16b**	274.32
16c	**3rd quarter** (July 1 - September 30) **16c**	95.18
16d	**4th quarter** (October 1 - December 31) **16d**	27.13
17	**Total tax liability for the year** (lines 16a + 16b + 16c + 16d = line 17) **17**	4,606.85

Total must equal line 12.

Part 6: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

☐ **Yes.** Designee's name and phone number

Select a 5-digit Personal Identification Number (PIN) to use when talking to the IRS

☐ **No.**

Part 7: Sign here. You MUST complete both pages of this form and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that no part of any payment made to a state unemployment fund claimed as a credit was, or is to be, deducted from the payments made to employees. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign your name here W. Corwin

Print your name here: W CORWIN

Print your title here: ADP ATTY-IN-FACT

Date: 02/07/24

Best daytime phone: 877-706-0510

Paid Preparer Use Only

Check if you are self-employed ☐

Preparer's name

PTIN

Preparer's signature

Date / /

Firm's name (or yours if self-employed)

EIN

Address

Phone

City

State

ZIP code

Schedule A (Form 940) for 2023:

860312

Multi-State Employer and Credit Reduction Information

Department of the Treasury - Internal Revenue Service

OMB No. 1545-0028

See the instructions on page 2. File this schedule with Form 940.

Employer identification number (EIN) 62-0529095

Name *(not your trade name)* TENNESSEE AMERICAN WATER

Place an "X" in the box of EVERY state in which you had to pay state unemployment tax this year. For each state with a credit reduction rate greater than zero, enter the FUTA taxable wages, multiply by the reduction rate, and enter the credit reduction amount. Don't include in the *FUTA Taxable Wages* box wages that were excluded from state unemployment tax (see the instructions for Step 2). If any states don't apply to you, leave them blank.

	FUTA Taxable Wages	Reduction Rate	Credit Reduction		FUTA Taxable Wages	Reduction Rate	Credit Reduction
☐ AK	.	x 0.000	.	☐ NC	.	x 0.000	.
☐ AL	.	x 0.000	.	☐ ND	.	x 0.000	.
☐ AR	.	x 0.000	.	☐ NE	.	x 0.000	.
☐ AZ	.	x 0.000	.	☐ NH	.	x 0.000	.
☐ CA	.	x 0.006	.	☐ NJ	.	x 0.000	.
☐ CO	.	x 0.000	.	☐ NM	.	x 0.000	.
☐ CT	.	x 0.000	.	☐ NV	.	x 0.000	.
☐ DC	.	x 0.000	.	☐ NY	.	x 0.006	.
☐ DE	.	x 0.000	.	☐ OH	.	x 0.000	.
☐ FL	.	x 0.000	.	☐ OK	.	x 0.000	.
☐ GA	.	x 0.000	.	☐ OR	.	x 0.000	.
☐ HI	.	x 0.000	.	☒ PA	.	x 0.000	.
☐ IA	.	x 0.000	.	☐ RI	.	x 0.000	.
☐ ID	.	x 0.000	.	☐ SC	.	x 0.000	.
☐ IL	.	x 0.000	.	☐ SD	.	x 0.000	.
☐ IN	.	x 0.000	.	☒ TN	.	x 0.000	.
☐ KS	.	x 0.000	.	☐ TX	.	x 0.000	.
☐ KY	.	x 0.000	.	☐ UT	.	x 0.000	.
☐ LA	.	x 0.000	.	☐ VA	.	x 0.000	.
☐ MA	.	x 0.000	.	☐ VT	.	x 0.000	.
☐ MD	.	x 0.000	.	☐ WA	.	x 0.000	.
☐ ME	.	x 0.000	.	☐ WI	.	x 0.000	.
☐ MI	.	x 0.000	.	☐ WV	.	x 0.000	.
☐ MN	.	x 0.000	.	☐ WY	.	x 0.000	.
☐ MO	.	x 0.000	.	☐ PR	.	x 0.000	.
☐ MS	.	x 0.000	.	☐ VI	.	x 0.039	.
☐ MT	.	x 0.000	.				

Total Credit Reduction. Add all amounts shown in the *Credit Reduction* boxes. Enter the total here and on Form 940, line 11 . . . . . 0.00

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Bob Lane

Question 048

TAXES

Provide the following Federal Income Tax data for the Tennessee Operations for the test year and the attrition year:

a. The calculation of TAWC's federal income tax expense. The calculated amount should reconcile to the amount reported on the Tennessee PSC 3.03 surveillance reports
b. A detailed calculation of the permanent book and tax differences
c. A detailed calculation of the temporary book and tax differences
d. Operating federal income taxes deferred – accelerated depreciation
e. Federal income taxes – operating
f. Income credits resulting from prior deferrals of federal income taxes

Response:

See Schedule EXP 23.3 which is included in the file labeled "TAWC 2024 Rate Case - Income Tax Exhibit", tab labeled 'Federal Current Prov 12-31-25'. Also see supporting tabs within the file for items a – f.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Bob Lane

Question 049

TAXES

Provide a reconciliation of book to taxable income and a calculation of the federal income tax expense on a total Company, total TAWC, and Tennessee only basis for the test period and for the attrition period.

Response:

See Schedule EXP 23.3 which is included in the file labeled "TAWC 2024 Rate Case - Income Tax Exhibit", tab labeled 'Federal Current Prov 12-31-25' for the book to taxable income differences and a calculation of the federal income tax expense.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Bob Lane

Question 050

TAXES

Provide the unemployment tax rate presently being paid, broken down into state and federal rates, and any anticipated change in the state unemployment rate.

Response:

The current state unemployment tax rate is 0.17% on max wages of $7,000. The federal unemployment tax rate is 0.60% on max wages of $7,000.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 051

RATE BASE (EXCLUDING WORKING CAPITAL)

Provide monthly plant additions and retirements by account number for the last three (3) fiscal years to include the test period. Please break down plant additions into normal or special projects, as defined below:

a. Normal construction requirements should be considered to include the needs created through normal system expansion, such as serving residential areas, shopping areas, old home conversions, replacements of tools and work equipment, transportation equipment, etc.
b. Special construction requirements should be considered to arise from extensive replacement of old facilities which cannot be foreseen, major expansion projects such as industrial parks, system improvements such as change from low pressure to high pressure required because of changing delivery patterns, and changes required by government action such as street improvement and relocation, community and neighborhood development, bridge replacement, etc. These requirements should be considered to be outside the control of TAWC.
c. For the last three (3) fiscal years, identify any contributions in aid of construction.

Response:

Please refer to 2024 TAWC MFG Q051_Attachment.

Tennessee American Water Company
Docket No. 24-XXXXX
Additions and Retirements by project type, and CIAC, by Month, January 2021 - December 2023
2024 TAWC MFG Q051_Attachment

Project Type	Account Description	Utility Plant Account	Additions Jan-21	Additions Feb-21	Additions Mar-21	Additions Apr-21	Additions May-21	Additions Jun-21	Additions Jul-21	Additions Aug-21	Additions Sep-21	Additions Oct-21	Additions Nov-21	Additions Dec-21
Normal	304100-Struct & Imp-Supply	304100	$0	$0	$0	$4,529	$0	$0	$0	$0	$0	$19	$0	$0
Normal	304200-Struct & Imp-Pumping	304200	371,928	-	6,384	-	-	-	-	369,520	51,018	15,869	30,504	(4,431)
Normal	304400-Struct & Imp-T&D	304400	-	-	-	-	-	-	-	-	-	-	-	-
Normal	304500-Struct & Imp-General	304500	333	-	7,536	400	40,133	237	-	-	114,395	(80)	76,205	1,288
Normal	304600-Struct & Imp-Offices	304600	-	-	-	-	-	-	-	-	-	-	-	-
Normal	304800-Struct & Imp-Misc	304800	-	-	-	-	-	-	-	-	-	-	-	53,525
Normal	306000-Lake, River & Other Intakes	306000	12,093	-	-	-	-	-	-	-	-	-	-	-
Normal	310000-Power Generation Equip	310000	-	-	-	-	-	-	-	-	-	-	-	81,100
Normal	311200-Pump Eqp Electric	311200	24,140	-	-	4,233	-	22,960	(3,087)	258	13,045	16	41,033	17,873
Normal	311500-Pump Eqp Other	311500	210,136	2,856	(22)	50,727	-	27,031	2,141	-	24,709	3,188	420,267	148,134
Normal	311520-Pump Eqp-SOS & Pumping	311520	-	-	-	-	-	-	-	(3,449)	-	-	-	-
Normal	320100-WT Equip Non-Media	320100	3,597	40,831	7,120	205	88,273	15,979	331	125,820	(352)	90	1,559	1
Normal	320200-WT Equip Filter Media	320200	-	-	-	-	-	-	-	-	-	-	-	-
Normal	330000-Dist Reservoirs & Standpipes	330000	(22,522)	-	277,251	(13,464)	-	-	(5,816)	373	-	-	402,780	711,621
Normal	330003-Tank Repainting	330003	-	-	-	-	-	-	-	-	-	-	-	-
Normal	330100-Elevated Tanks & Standpipes	330100	715,793	-	-	-	-	-	-	-	-	-	-	-
Normal	330200-Ground Level Tanks	330200	-	-	-	-	-	-	-	-	-	-	-	-
Normal	330300-Below Ground Tanks	330300	21,221	-	-	-	-	-	-	-	-	-	-	-
Normal	331001-TD Mains Not Classified	331001	5,215,990	(33,990)	1,244	224,678	50,546	206	(17,293)	(1,725)	(46,644)	13,503	3,600	63,654
Normal	331100-TD Mains 4in & Less	331100	84,035	90,484	79,177	93,087	58,504	118,795	75,696	108,639	123,002	79,189	62,407	85,788
Normal	331200-TD Mains 6in to 8in	331200	214,380	212,554	1,141,815	223,189	680,695	308,602	384,143	226,022	314,605	89,639	48,067	1,341,908
Normal	331300-TD Mains 10in to 16in	331300	3,883	(3,081)	4,785	4,945	8,264	210	19,224	-	-	429,534	51,022	96,840
Normal	331400-TD Mains 18in & Grtr	331400	-	-	(2,938)	-	-	-	-	-	-	-	-	-
Normal	333000-Services	333000	(3,513)	615	35,407	(4,048)	67,934	80,725	(19,842)	79,772	74,014	43,894	48,808	42,786
Normal	334100-Meters	334100	79,189	11,730	361,271	56,077	65,032	843,070	567,522	255,639	736,211	105,470	153,268	66,894
Normal	334110-Meters Bronze Case	334110	-	-	-	54	112	40	(24)	-	-	-	-	-
Normal	334131-Meter Reading Units	334131	-	-	-	-	-	-	-	-	-	-	-	-
Normal	334200-Meter Installations	334200	17,989	(4,110)	142,460	58,317	64,667	72,357	102,132	(2,586)	5,676	709,488	85,091	(66,099)
Normal	334300-Meter Vaults	334300	(2,291)	11,362	1,910	4,939	4,356	(7,050)	4,450	11,289	(629)	(723)	17	(79)
Normal	335000-Hydrants	335000	96,930	(19,812)	32,500	41,584	53,104	60,579	40,346	59,897	166,899	88,923	524,682	186,321
Normal	339200-Other P/E-Supply	339200	-	-	-	-	-	-	-	-	-	-	-	-
Normal	339600-Other P/E-CPS	339600	95,389	-	-	-	-	-	-	-	-	-	-	-
Normal	340100-Office Furniture & Equip	340100	345	(64)	(21,728)	-	-	658	-	-	-	2,607	(479)	-
Normal	340200-Comp & Periph Equip	340200	33,113	99	27	(0)	-	-	-	35,285	-	5,018	20,133	60,886
Normal	340220-Comp & Periph Personal	340220	34	-	-	(0)	-	-	-	-	-	-	-	-
Normal	340230-Comp & Periph Other	340230	130	(0)	0	-	-	-	-	-	-	25,129	-	4
Normal	340300-Computer Software	340300	14,154	23,120	618,822	21,352	(1,984)	606,913	(25,481)	19,418	500,259	(413,598)	99,977	1,083,484
Normal	340330-Comp Software Other	340330	(13)	-	107,190	1,191	708	1,797	(3,919)	1,645	11,274	(5,820)	(3,395)	1,598
Normal	341100-Trans Equip Lt Duty Trks	341100	(8,859)	238,055	-	(284,146)	77,090	54,809	-	102,566	288,107	80,430	86,812	601,627
Normal	341200-Trans Equip Hvy Duty Trks	341200	-	-	-	-	-	-	-	197,841	-	(95,029)	-	(1,619)
Normal	341300-Trans Equip Autos	341300	-	-	-	-	-	-	-	-	-	-	-	-
Normal	341400-Trans Equip Other	341400	-	-	-	-	-	-	-	-	-	-	-	-
Normal	343000-Tools,Shop,Garage Equip	343000	(109)	2,825	-	12,757	11,638	29,401	3,766	-	180	-	37,667	24,489
Normal	344000-Laboratory Equipment	344000	3,394	311	-	-	-	-	-	-	0	-	-	-
Normal	346100-Comm Equip Non-Telephone	346100	-	-	10,703	-	2,843	-	348	-	3,910	-	109,407	34,717
Normal	346190-Remote Control & Instrument	346190	-	-	-	-	-	-	-	17,308	-	-	-	-
Normal	346200-Comm Equip Telephone	346200	-	-	-	-	-	-	-	-	1,970	-	-	-
Normal	347000-Misc Equipment	347000	-	-	-	-	-	-	-	-	3,894	-	-	-
ADDITIONS ON NORMAL PROJECTS			**$7,180,890**	**$573,786**	**$2,810,911**	**$500,606**	**$1,271,915**	**$2,237,320**	**$1,124,638**	**$1,603,529**	**$2,385,542**	**$1,176,755**	**$2,299,431**	**$4,632,310**

Tennessee American Water Company
Docket No. 24-XXXXX
Additions and Retirements by project type, and CIAC, by Month, January 2021 - December 2023
2024 TAWC MFG Q051_Attachment

Project Type	Account Description	Utility Plant Account	Additions Jan-22	Additions Feb-22	Additions Mar-22	Additions Apr-22	Additions May-22	Additions Jun-22	Additions Jul-22	Additions Aug-22	Additions Sep-22	Additions Oct-22	Additions Nov-22	Additions Dec-22
Normal	304100-Struct & Imp-Supply	304100	$0	$0	$8,776	($17)	$9,108	$11,899	$22,459	$0	$10,024	$0	$0	($0)
Normal	304200-Struct & Imp-Pumping	304200	46,697	14,213	3,216	33	(15,200)	(443,422)	441,879	(51,241)	(1,050)	-	-	-
Normal	304400-Struct & Imp-T&D	304400	-	-	-	(106,686)	-	-	-	-	-	-	-	-
Normal	304500-Struct & Imp-General	304500	348	-	-	(0)	-	-	-	-	-	-	-	74,103
Normal	304600-Struct & Imp-Offices	304600	-	-	-	-	-	-	1,314	-	-	-	-	-
Normal	304800-Struct & Imp-Misc	304800	(1,378)	(1)	-	(0)	-	-	3,591	3,841	-	-	-	0
Normal	306000-Lake, River & Other Intakes	306000	-	-	-	-	-	-	-	-	-	-	-	-
Normal	310000-Power Generation Equip	310000	608	6,668	-	-	0	-	-	-	-	-	-	-
Normal	311200-Pump Eqp Electric	311200	(110)	(10)	8	0	-	-	(488)	-	-	8,632	-	77,050
Normal	311500-Pump Eqp Other	311500	77,609	128,658	87,741	7,537	252	(47,617)	257,167	51,837	132,910	65,318	93,238	198,936
Normal	311520-Pump Eqp-SOS & Pumping	311520	-	-	-	-	-	-	-	-	-	48,835	-	(17)
Normal	320100-WT Equip Non-Media	320100	6,297	2,458	5,083	369	90,600	313	-	136	-	-	1,905	57,942
Normal	320200-WT Equip Filter Media	320200	-	-	-	-	-	-	423,058	196,725	26,596	1,532	-	66
Normal	330000-Dist Reservoirs & Standpipes	330000	302	15,702	-	-	5,534	6,276	(0)	(5,088)	-	-	-	1,065,802
Normal	330003-Tank Repainting	330003	-	-	-	-	-	-	-	-	-	-	-	0
Normal	330100-Elevated Tanks & Standpipes	330100	-	-	-	-	-	-	-	-	-	-	-	-
Normal	330200-Ground Level Tanks	330200	-	-	-	-	-	-	-	-	-	-	-	(0)
Normal	330300-Below Ground Tanks	330300	-	-	-	-	-	-	-	-	-	-	-	-
Normal	331001-TD Mains Not Classified	331001	-	-	5,279	(52,733)	-	316	-	-	-	-	100	5
Normal	331100-TD Mains 4in & Less	331100	164,610	21,445	175,198	122,592	102,079	170,083	21,246	(21,151)	96,121	29,767	813,356	800,501
Normal	331200-TD Mains 6in to 8in	331200	277,338	675,146	56,197	234,604	331,604	764,165	368,283	280,271	931,261	118,176	403,031	3,021,178
Normal	331300-TD Mains 10in to 16in	331300	23,021	(7,600)	7,559	59,465	(12,700)	(35,484)	(9,041)	(0)	(4,906)	-	31,097	17,850
Normal	331400-TD Mains 18in & Grtr	331400	88,731	-	-	-	-	-	-	-	-	-	-	-
Normal	333000-Services	333000	(51,864)	(4,622)	80,357	108,818	67,748	(43,624)	69,076	65,486	52,088	31,615	130,230	57,959
Normal	334100-Meters	334100	366,482	(2,718)	340,003	89,454	149,935	66,308	1,390,042	206,204	153,319	122,454	177,362	109,797
Normal	334110-Meters Bronze Case	334110	-	-	-	-	-	-	-	(37)	-	-	-	-
Normal	334131-Meter Reading Units	334131	-	-	-	-	-	-	-	-	-	-	10,721	54
Normal	334200-Meter Installations	334200	95,104	65,224	84,180	127,168	112,366	245,855	99,586	218,366	253,882	163,315	216,964	194,669
Normal	334300-Meter Vaults	334300	-	-	-	-	-	-	60	-	-	-	4,418	-
Normal	335000-Hydrants	335000	30,808	187,211	158,124	147,037	(12,618)	70,748	79,981	177,337	(462,691)	206,395	36,756	181,772
Normal	339200-Other P/E-Supply	339200	-	-	-	-	-	-	-	-	-	-	-	-
Normal	339600-Other P/E-CPS	339600	-	-	-	-	-	-	-	-	-	-	-	-
Normal	340100-Office Furniture & Equip	340100	-	-	4,820	-	-	4,469	-	-	-	6,019	-	6,450
Normal	340200-Comp & Periph Equip	340200	-	-	72,600	(112,649)	144,958	2,210	1,368	(5,420)	-	160,248	85,641	5,027
Normal	340220-Comp & Periph Personal	340220	-	-	-	-	-	-	-	-	-	-	-	-
Normal	340230-Comp & Periph Other	340230	-	-	-	-	-	-	-	-	-	-	-	-
Normal	340300-Computer Software	340300	104,047	34,794	28,181	101,146	(10,499)	213,323	41,732	226,799	2,711	16,883	48,645	939,943
Normal	340330-Comp Software Other	340330	-	127	17	11,130	-	-	-	-	55	77	141	(141)
Normal	341100-Trans Equip Lt Duty Trks	341100	2,729	158,620	(88,831)	(0)	65,805	49,274	69,215	174,147	243,847	77,273	277,282	79,696
Normal	341200-Trans Equip Hvy Duty Trks	341200	-	-	-	-	-	-	-	-	-	-	-	-
Normal	341300-Trans Equip Autos	341300	-	-	-	-	-	-	-	-	-	-	-	-
Normal	341400-Trans Equip Other	341400	-	-	-	-	-	-	-	1,240	-	-	-	28,476
Normal	343000-Tools,Shop,Garage Equip	343000	3,409	-	26,622	36,599	6,539	92,718	13,803	41,097	9,951	8,844	1,864	457
Normal	344000-Laboratory Equipment	344000	-	-	-	-	-	-	-	-	-	-	-	7,645
Normal	346100-Comm Equip Non-Telephone	346100	(348)	2,302	-	0	-	-	51,693	272	634	1,300	26,454	235,849
Normal	346190-Remote Control & Instrument	346190	-	-	-	-	-	-	-	-	-	-	-	-
Normal	346200-Comm Equip Telephone	346200	-	-	-	-	-	-	-	-	-	-	-	-
Normal	347000-Misc Equipment	347000	-	-	-	-	-	12,156	312	11,760	-	53,486	345,175	2,620
ADDITIONS ON NORMAL PROJECTS			**$1,234,440**	**$1,297,618**	**$1,055,127**	**$773,869**	**$1,035,512**	**$1,139,964**	**$3,346,336**	**$1,572,582**	**$1,444,751**	**$1,120,169**	**$2,704,381**	**$7,163,689**

Tennessee American Water Company
Docket No. 24-XXXXX
Additions and Retirements by project type, and CIAC, by Month, January 2021 - December 2023
2024 TAWC MFG Q051_Attachment

Project Type	Account Description	Utility Plant Account	Additions Jan-23	Additions Feb-23	Additions Mar-23	Additions Apr-23	Additions May-23	Additions Jun-23	Additions Jul-23	Additions Aug-23	Additions Sep-23	Additions Oct-23	Additions Nov-23	Additions Dec-23
Normal	304100-Struct & Imp-Supply	304100	($467)	$0	$0	$80,656	($407)	$133	$0	$0	$0	$242,901	$17,228	$22,223
Normal	304200-Struct & Imp-Pumping	304200	-	-	-	-	-	-	-	-	-	-	-	-
Normal	304400-Struct & Imp-T&D	304400	-	-	-	-	-	-	-	-	-	-	-	-
Normal	304500-Struct & Imp-General	304500	-	-	-	-	-	138,558	(48)	84	-	30	43,085	(115)
Normal	304600-Struct & Imp-Offices	304600	-	-	-	-	-	-	-	-	-	-	-	-
Normal	304800-Struct & Imp-Misc	304800	-	-	-	-	9,216	-	-	-	-	-	-	-
Normal	306000-Lake, River & Other Intakes	306000	-	-	-	-	-	-	-	-	-	-	-	-
Normal	310000-Power Generation Equip	310000	-	-	-	-	-	-	-	-	-	-	-	-
Normal	311200-Pump Eqp Electric	311200	(380)	-	-	-	-	-	-	-	-	-	-	-
Normal	311500-Pump Eqp Other	311500	(227)	-	3,107	9,895	15,350	3,129	(518)	15,660	1,371	6,752	184,901	307,278
Normal	311520-Pump Eqp-SOS & Pumping	311520	-	-	-	-	-	-	-	-	-	48,533	8,937	(55)
Normal	320100-WT Equip Non-Media	320100	68	-	1,288	-	-	-	-	585,431	17,882	47,571	547,283	130,506
Normal	320200-WT Equip Filter Media	320200	0	-	-	-	-	-	-	-	-	-	-	-
Normal	330000-Dist Reservoirs & Standpipes	330000	2,124	273	89,239	405,326	338	(12)	(36,671)	30,750	(11,250)	3,503	(12,105)	343,802
Normal	330003-Tank Repainting	330003	83,187	73,466	78,231	41,288	3,068	-	917,578	199,723	100,960	15,091	106,982	29,558
Normal	330100-Elevated Tanks & Standpipes	330100	-	-	-	-	-	-	-	-	-	-	-	-
Normal	330200-Ground Level Tanks	330200	-	-	-	-	-	-	-	-	-	-	-	-
Normal	330300-Below Ground Tanks	330300	-	-	-	-	-	-	-	-	-	-	-	-
Normal	331001-TD Mains Not Classified	331001	-	10,536	(2,206)	-	-	136,779	15,426	453	(10,238)	-	-	-
Normal	331100-TD Mains 4in & Less	331100	127,702	119,274	94,930	27,159	482,500	132,063	628,792	212,191	203,062	242,537	202,706	344,226
Normal	331200-TD Mains 6in to 8in	331200	535,086	84,795	341,377	644,870	145,332	934,281	264,330	367,778	642,407	547,034	926,302	2,597,743
Normal	331300-TD Mains 10in to 16in	331300	2,945	12,315	9,459	3,987	(3,488)	(9,694)	(12,845)	(563)	11,972	130,485	31,383	239,705
Normal	331400-TD Mains 18in & Grtr	331400	-	-	-	-	-	-	-	-	-	-	-	-
Normal	333000-Services	333000	39,855	85,585	51,038	(5,002)	131,657	360,381	129,584	9,871	125,782	73,102	38,973	148,519
Normal	334100-Meters	334100	57,458	75,840	248,516	197,894	605	9,684	58,244	247,000	79,190	519,732	10,289	5,053,071
Normal	334110-Meters Bronze Case	334110	-	216,793	85,819	1,297	99,362	(89,319)	48,152	(56,328)	78,592	58,431	1,084	(123,608)
Normal	334131-Meter Reading Units	334131	60	1,318	125	-	-	-	-	-	(0)	-	-	-
Normal	334200-Meter Installations	334200	116,360	183,510	116,618	89,610	158,401	44,678	141,992	280,692	185,769	(316,438)	186,199	574,193
Normal	334300-Meter Vaults	334300	-	-	-	-	-	255	(0)	0	-	-	-	(60)
Normal	335000-Hydrants	335000	44,571	108,128	87,630	515	139,665	79,132	66,127	41,311	43,024	44,754	87,007	140,944
Normal	339200-Other P/E-Supply	339200	-	-	-	-	-	-	-	-	492	2,745	10	-
Normal	339600-Other P/E-CPS	339600	-	-	-	-	-	-	-	-	-	-	-	73,498
Normal	340100-Office Furniture & Equip	340100	2,968	2,903	-	-	-	13,702	-	-	-	944	12,565	6,883
Normal	340200-Comp & Periph Equip	340200	(0)	-	-	-	88,795	-	344	479,249	7,021	-	3,711	137,620
Normal	340220-Comp & Periph Personal	340220	-	-	-	-	2,468	112	-	-	-	-	-	-
Normal	340230-Comp & Periph Other	340230	-	-	-	-	-	-	-	-	-	-	-	-
Normal	340300-Computer Software	340300	26,845	(19)	161,414	212,779	248,357	71,775	11,966	(819)	95,813	176,919	3,556	1,929,401
Normal	340330-Comp Software Other	340330	-	-	-	-	-	-	-	-	-	-	-	-
Normal	341100-Trans Equip Lt Duty Trks	341100	75,881	17,391	188,219	72,780	-	158,697	73,803	71,642	255,258	130,991	228,735	554,698
Normal	341200-Trans Equip Hvy Duty Trks	341200	-	-	-	-	-	-	-	-	174,838	-	-	85,946
Normal	341300-Trans Equip Autos	341300	-	-	-	-	-	-	-	-	-	-	-	41,703
Normal	341400-Trans Equip Other	341400	3,221	95	-	-	-	-	-	-	-	(0)	-	-
Normal	343000-Tools,Shop,Garage Equip	343000	9,682	3,123	(890)	-	9,717	-	3,800	-	-	3,554	-	277,934
Normal	344000-Laboratory Equipment	344000	159	-	-	-	-	-	-	-	-	-	4,825	1,575
Normal	346100-Comm Equip Non-Telephone	346100	(856)	39,079	6,118	351	-	51,190	1,594	-	-	11,081	85,258	34,627
Normal	346190-Remote Control & Instrument	346190	-	-	-	-	21,413	334	-	-	-	-	-	-
Normal	346200-Comm Equip Telephone	346200	-	-	-	-	-	-	-	-	-	-	-	-
Normal	347000-Misc Equipment	347000	-	537	(221)	-	5,897	65,450	(56)	-	-	-	-	11,274
ADDITIONS ON NORMAL PROJECTS			**$1,126,241**	**$1,034,942**	**$1,559,809**	**$1,783,403**	**$1,558,246**	**$2,101,309**	**$2,311,595**	**$2,484,125**	**$2,001,945**	**$1,990,252**	**$2,718,915**	**$12,963,090**

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Project Type	Account Description	Utility Plant Account	Additions Jan-21	Additions Feb-21	Additions Mar-21	Additions Apr-21	Additions May-21	Additions Jun-21	Additions Jul-21	Additions Aug-21	Additions Sep-21	Additions Oct-21	Additions Nov-21	Additions Dec-21
Special	304100-Struct & Imp-Supply	304100	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Special	304200-Struct & Imp-Pumping	304200	-	-	-	-	-	-	-	-	-	-	-	-
Special	304300-Struct & Imp-Treatment	304300	(186,821)	402,750	(28,628)	20,002	4,041	776	(128,981)	-	(802)	941	2,180,392	292,387
Special	304600-Struct & Imp-Offices	304600	-	-	-	1,000	-	-	-	-	-	-	-	-
Special	306000-Lake, River & Other Intakes	306000	(3,549)	-	798	-	-	-	-	-	-	-	-	-
Special	309000-Supply Mains	309000	303	28,541	9,500	3,027	(249)	26,829	9,401	(5,490)	(2,142)	-	-	2,365
Special	311200-Pump Eqp Electric	311200	-	-	-	-	-	-	-	-	-	-	-	(115)
Special	311500-Pump Eqp Other	311500	49,519	76,492	38,137	2,223	10,014	7,795	178,584	3,040	84	2,108,850	274,953	57,217
Special	320100-WT Equip Non-Media	320100	1,965	-	-	(189)	-	(164)	-	-	-	-	-	-
Special	330000-Dist Reservoirs & Standpipes	330000	-	-	-	-	-	-	-	-	-	-	-	-
Special	331100-TD Mains 4in & Less	331100	-	-	-	-	-	-	-	-	-	-	-	-
Special	331200-TD Mains 6in to 8in	331200	(5,111)	(46,122)	153	73	158,682	(1,732)	-	(41,038)	(89)	-	43,293	34,706
Special	331300-TD Mains 10in to 16in	331300	-	-	-	-	-	-	-	-	-	-	-	-
Special	334300-Meter Vaults	334300	-	-	-	-	-	-	-	-	-	-	-	-
Special	335000-Hydrants	335000	-	-	-	-	-	-	-	-	-	-	-	-
Special	339600-Other P/E-CPS	339600	-	-	-	-	-	-	-	-	-	-	1,135,222	(86,100)
ADDITIONS ON SPECIAL PROJECTS			**($143,694)**	**$461,661**	**$19,960**	**$26,136**	**$172,487**	**$33,505**	**$59,005**	**($43,489)**	**($2,949)**	**$2,109,791**	**$3,633,860**	**$300,460**

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Project Type	Account Description	Utility Plant Account	Additions Jan-22	Additions Feb-22	Additions Mar-22	Additions Apr-22	Additions May-22	Additions Jun-22	Additions Jul-22	Additions Aug-22	Additions Sep-22	Additions Oct-22	Additions Nov-22	Additions Dec-22
Special	304100-Struct & Imp-Supply	304100	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,709,785
Special	304200-Struct & Imp-Pumping	304200	(101)	(9)	-	-	(181)	35	13	339	(8)	-	-	-
Special	304300-Struct & Imp-Treatment	304300	24,883	45,611	5,130	(2,930)	(98)	(12,022)	-	-	-	-	-	291
Special	304600-Struct & Imp-Offices	304600	-	-	-	-	-	-	-	-	-	-	-	-
Special	306000-Lake, River & Other Intakes	306000	-	-	-	-	-	-	-	-	-	-	-	-
Special	309000-Supply Mains	309000	-	-	-	-	-	-	-	-	-	-	-	-
Special	311200-Pump Eqp Electric	311200	(908)	(78)	-	-	(1,632)	314	115	3,054	(68)	-	-	-
Special	311500-Pump Eqp Other	311500	109,158	31,509	169,301	3,975	70,164	(19,888)	13,559	3,228	6,950	(54)	(27,034)	(5,831)
Special	320100-WT Equip Non-Media	320100	-	-	-	-	-	-	-	-	-	-	-	-
Special	330000-Dist Reservoirs & Standpipes	330000	-	-	-	-	-	483,543	8,239	3,158	2,785	11,507	4,099	22,902
Special	331100-TD Mains 4in & Less	331100	-	-	-	-	-	-	-	-	-	-	-	-
Special	331200-TD Mains 6in to 8in	331200	(260)	(23)	-	(1,189)	-	-	-	(4,160)	-	-	-	504,857
Special	331300-TD Mains 10in to 16in	331300	-	-	-	-	-	-	-	-	-	-	-	718,321
Special	334300-Meter Vaults	334300	-	-	-	-	-	-	-	-	-	-	-	26,066
Special	335000-Hydrants	335000	-	-	-	-	-	-	-	-	-	-	-	-
Special	339600-Other P/E-CPS	339600	-	-	-	-	-	-	-	-	-	-	-	-
ADDITIONS ON SPECIAL PROJECTS			**$132,772**	**$77,012**	**$174,431**	**($145)**	**$68,253**	**$451,983**	**$21,926**	**$5,619**	**$9,660**	**$11,453**	**($22,935)**	**$2,976,391**

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Project Type	Account Description	Utility Plant Account	Additions Jan-23	Additions Feb-23	Additions Mar-23	Additions Apr-23	Additions May-23	Additions Jun-23	Additions Jul-23	Additions Aug-23	Additions Sep-23	Additions Oct-23	Additions Nov-23	Additions Dec-23
Special	304100-Struct & Imp-Supply	304100	$1,085,263	$795,482	($724,316)	$116,129	$1,379	$136,860	$560,214	($1,595,400)	$34,374	($120,205)	$12,040	$353
Special	304200-Struct & Imp-Pumping	304200	-	-	-	-	89,292	-	-	-	-	-	-	-
Special	304300-Struct & Imp-Treatment	304300	-	-	(36)	-	-	-	-	-	-	-	-	-
Special	304600-Struct & Imp-Offices	304600	-	-	-	-	-	-	-	-	-	-	-	-
Special	306000-Lake, River & Other Intakes	306000	-	-	-	-	-	-	-	1,747,216	-	-	-	-
Special	309000-Supply Mains	309000	-	-	-	-	-	-	-	-	-	-	-	-
Special	311200-Pump Eqp Electric	311200	-	-	-	-	803,739	-	-	-	-	-	-	-
Special	311500-Pump Eqp Other	311500	-	-	(1,355)	-	(893,030)	-	-	-	-	-	-	2,398,349
Special	320100-WT Equip Non-Media	320100	-	-	-	-	-	-	-	-	13	-	-	-
Special	330000-Dist Reservoirs & Standpipes	330000	13,373	18,846	(621)	36	-	-	-	-	-	-	-	-
Special	331100-TD Mains 4in & Less	331100	-	-	-	-	-	-	-	-	-	-	-	9
Special	331200-TD Mains 6in to 8in	331200	70,519	14,137	14,009	11,634	(31,752)	2,182	(39)	2	(6,289)	(203)	-	4,633
Special	331300-TD Mains 10in to 16in	331300	87,977	-	186,122	37,213	(32,817)	837,311	75,845	93,345	(304,903)	(11,931)	4,250	(31,983)
Special	334300-Meter Vaults	334300	3,654	752	541	578	(1,653)	-	-	-	-	-	-	(4,606)
Special	335000-Hydrants	335000	-	-	-	-	-	-	-	-	-	-	-	9
Special	339600-Other P/E-CPS	339600	-	-	-	-	-	-	-	-	-	-	-	-
ADDITIONS ON SPECIAL PROJECTS			**$1,260,786**	**$829,217**	**($525,655)**	**$165,589**	**($64,843)**	**$976,353**	**$636,021**	**$245,162**	**($276,805)**	**($132,339)**	**$16,290**	**$2,366,765**

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Project Type	Account Description	Utility Plant Account	Retirements Jan-21	Retirements Feb-21	Retirements Mar-21	Retirements Apr-21	Retirements May-21	Retirements Jun-21	Retirements Jul-21	Retirements Aug-21	Retirements Sep-21	Retirements Oct-21	Retirements Nov-21	Retirements Dec-21
Normal	303501-Land-T&D	303501	$0	$0	$0	$0	$0	($6,509)	$0	$0	$0	$0	$0	$0
Normal	304100-Struct & Imp-Supply	304100	-	-	-	(204)	-	-	-	-	-	-	-	-
Normal	304200-Struct & Imp-Pumping	304200	-	-	-	(9,953)	-	-	-	-	(3,629)	-	-	-
Normal	304300-Struct & Imp-Treatment	304300	-	-	-	-	-	-	-	-	-	-	-	-
Normal	304500-Struct & Imp-General	304500	-	-	-	-	-	-	-	-	-	-	-	-
Normal	304700-Struct & Imp-Store,Shop,Gar	304700	-	-	-	-	-	-	-	-	-	-	-	-
Normal	304800-Struct & Imp-Misc	304800	-	-	-	-	-	-	-	-	-	-	-	-
Normal	311200-Pump Eqp Electric	311200	-	-	-	-	-	-	-	-	(3,365)	-	-	-
Normal	311300-Pump Eqp Diesel	311300	-	-	-	-	-	-	-	-	-	-	-	-
Normal	311500-Pump Eqp Other	311500	-	(40,968)	-	(1,850)	-	(5,607)	(2,485)	-	(681)	-	-	(4,652)
Normal	311520-Pump Eqp-SOS & Pumping	311520	-	-	-	-	-	-	-	-	-	-	-	-
Normal	320100-WT Equip Non-Media	320100	-	(2,640)	(285)	-	(1,871)	(5,518)	-	(484)	(3,813)	-	-	-
Normal	320200-WT Equip Filter Media	320200	-	-	-	-	-	-	-	-	-	-	-	-
Normal	330000-Dist Reservoirs & Standpipes	330000	-	-	-	-	-	-	-	-	-	-	-	(0)
Normal	330003-Tank Repainting	330003	-	-	-	-	-	-	-	-	-	-	-	-
Normal	331001-TD Mains Not Classified	331001	-	(28,154)	-	-	-	-	-	28,164	-	-	-	-
Normal	331100-TD Mains 4in & Less	331100	-	494,971	(174)	-	-	(144)	(3,062)	(7,641)	(107)	(2,396)	(12)	(130)
Normal	331200-TD Mains 6in to 8in	331200	-	137,510	(892)	-	(712)	(316)	(424)	(30,966)	(540)	(134)	(45)	(9)
Normal	331300-TD Mains 10in to 16in	331300	-	37,134	(234)	-	(191)	-	(1,142)	-	(18)	-	-	-
Normal	331400-TD Mains 18in & Grtr	331400	-	1,155	-	-	-	-	-	-	-	-	-	-
Normal	333000-Services	333000	-	78,630	(21,215)	-	(33,864)	(7,230)	(1,718)	-	-	-	-	-
Normal	334100-Meters	334100	-	3,422	(165)	-	-	(241,062)	(115,366)	237,743	(23,953)	(132)	(1,525)	(1,629)
Normal	334110-Meters Bronze Case	334110	-	-	-	-	-	-	-	(215,818)	(158,570)	-	-	-
Normal	334200-Meter Installations	334200	-	44,139	(149)	-	-	(167)	(112)	-	(380)	(74)	(1,697)	-
Normal	334300-Meter Vaults	334300	-	(59)	(29,537)	-	-	-	-	-	(1,081)	-	-	-
Normal	335000-Hydrants	335000	-	83,961	(399)	(4,005)	(4,503)	-	(2,736)	(8,902)	(4,255)	(6,276)	(5,648)	-
Normal	340100-Office Furniture & Equip	340100	-	-	-	-	-	-	-	-	-	-	-	-
Normal	340200-Comp & Periph Equip	340200	-	(9,001)	-	-	-	-	-	-	-	-	-	-
Normal	340220-Comp & Periph Personal	340220	-	-	-	-	-	-	-	-	-	-	-	-
Normal	340300-Computer Software	340300	-	-	-	-	-	-	-	-	-	-	(2,217)	-
Normal	340315-Comp Software Spec Depr Rat	340315	-	-	-	-	-	-	-	-	-	-	-	-
Normal	341100-Trans Equip Lt Duty Trks	341100	-	-	-	-	-	-	-	-	-	-	-	-
Normal	341300-Trans Equip Autos	341300	-	-	-	-	-	-	-	-	-	-	-	-
Normal	341400-Trans Equip Other	341400	-	-	-	-	-	-	-	-	-	-	-	-
Normal	342000-Stores Equipment	342000	-	-	-	-	-	-	-	-	-	-	-	-
Normal	343000-Tools,Shop,Garage Equip	343000	-	-	(37,997)	-	-	(24,291)	-	-	(7,905)	-	-	(4,428)
Normal	344000-Laboratory Equipment	344000	-	(3,195)	-	-	-	-	-	-	-	-	-	-
Normal	346100-Comm Equip Non-Telephone	346100	-	-	-	-	-	-	-	-	-	-	-	-
Normal	346190-Remote Control & Instrument	346190	-	-	-	-	-	-	-	-	-	-	-	-
Normal	347000-Misc Equipment	347000	-	-	-	-	-	-	-	-	-	-	-	-
RETIREMENTS OF NORMAL PROJECTS			**$0**	**$796,907**	**($91,047)**	**($16,012)**	**($41,141)**	**($290,845)**	**($127,046)**	**$2,096**	**($208,296)**	**($9,012)**	**($11,144)**	**($10,848)**

Project Type	Account Description	Utility Plant Account	Retirements Jan-21	Retirements Feb-21	Retirements Mar-21	Retirements Apr-21	Retirements May-21	Retirements Jun-21	Retirements Jul-21	Retirements Aug-21	Retirements Sep-21	Retirements Oct-21	Retirements Nov-21	Retirements Dec-21
Special	304200-Struct & Imp-Pumping	304200	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Special	304300-Struct & Imp-Treatment	304300	-	-	-	(521)	-	(35)	-	-	-	-	-	-
Special	306000-Lake, River & Other Intakes	306000	-	(16,520)	-	-	-	-	-	-	-	-	-	-
Special	311200-Pump Eqp Electric	311200	-	-	-	-	-	-	-	-	-	-	-	-
Special	320100-WT Equip Non-Media	320100	-	-	-	(689,512)	-	-	-	-	-	-	-	-
Special	331001-TD Mains Not Classified	331001	-	-	-	-	-	-	-	-	-	-	-	-
Special	331100-TD Mains 4in & Less	331100	-	-	-	-	-	-	-	-	-	-	-	-
Special	331200-TD Mains 6in to 8in	331200	-	-	-	-	-	-	-	-	-	-	-	-
Special	331300-TD Mains 10in to 16in	331300	-	-	-	-	-	-	-	-	-	-	-	-
RETIREMENTS OF SPECIAL PROJECTS			**$0**	**($16,520)**	**$0**	**($690,033)**	**$0**	**($35)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

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Project Type	Account Description	Utility Plant Account	Retirements Jan-22	Retirements Feb-22	Retirements Mar-22	Retirements Apr-22	Retirements May-22	Retirements Jun-22	Retirements Jul-22	Retirements Aug-22	Retirements Sep-22	Retirements Oct-22	Retirements Nov-22	Retirements Dec-22
Normal	303501-Land-T&D	303501	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Normal	304100-Struct & Imp-Supply	304100	-	-	(521)	-	-	(1)	(1,036)	-	-	-	-	-
Normal	304200-Struct & Imp-Pumping	304200	-	-	-	-	-	(3,310)	(4,967)	-	-	-	-	-
Normal	304300-Struct & Imp-Treatment	304300	-	-	-	-	-	(290)	-	-	-	-	-	-
Normal	304500-Struct & Imp-General	304500	-	-	-	-	-	-	-	-	-	-	-	(1,659)
Normal	304700-Struct & Imp-Store,Shop,Gar	304700	-	-	-	(1,709)	-	-	-	-	(748)	-	-	-
Normal	304800-Struct & Imp-Misc	304800	-	-	-	-	-	-	(719)	-	-	-	-	-
Normal	311200-Pump Eqp Electric	311200	-	(46)	-	-	-	(8,921)	(1,025)	-	-	-	(9,314)	(2,893)
Normal	311300-Pump Eqp Diesel	311300	-	-	-	-	-	-	-	-	(26,359)	-	-	-
Normal	311500-Pump Eqp Other	311500	-	(3,158)	-	-	-	(963)	-	-	-	-	-	(17,816)
Normal	311520-Pump Eqp-SOS & Pumping	311520	(1,124)	(1,591)	-	-	-	-	-	-	-	-	-	-
Normal	320100-WT Equip Non-Media	320100	-	(93)	(427)	(4,236)	(7,631)	(7,423)	(336)	-	-	(1,003)	-	(22,644)
Normal	320200-WT Equip Filter Media	320200	-	-	-	(4,675)	-	-	(79,530)	(21,165)	-	-	-	-
Normal	330000-Dist Reservoirs & Standpipes	330000	-	-	(0)	0	-	-	-	-	(39,685)	-	-	(0)
Normal	330003-Tank Repainting	330003	-	-	-	-	-	-	-	-	-	-	-	-
Normal	331001-TD Mains Not Classified	331001	-	-	-	(742)	-	(40)	(46)	-	-	-	(464)	-
Normal	331100-TD Mains 4in & Less	331100	(406)	(5,353)	(4,138)	(4,759)	(820)	(36,746)	(2,904)	702	(7,158)	(73)	(12)	(557)
Normal	331200-TD Mains 6in to 8in	331200	(448)	(6,054)	(1,901)	(238)	(37)	(4,018)	(432)	(8,382)	21	-	(98)	(151)
Normal	331300-TD Mains 10in to 16in	331300	(28)	-	(238)	-	190	(311)	-	(179)	(272)	-	-	(22)
Normal	331400-TD Mains 18in & Grtr	331400	-	-	-	-	-	-	-	-	-	-	-	-
Normal	333000-Services	333000	-	(3)	14,342	(7,327)	(111)	-	(65,877)	(1,802)	(6,160)	-	(1,774)	(123)
Normal	334100-Meters	334100	(1,299)	(6,471)	(497)	(2,933)	-	(758)	(16,919)	-	(27,567)	(991)	(13,343)	(12,135)
Normal	334110-Meters Bronze Case	334110	-	-	-	-	-	-	-	(116,875)	-	-	(297)	(142,677)
Normal	334200-Meter Installations	334200	(3,288)	-	242	(168)	(37)	(1,355)	(5,487)	(1,714)	(4,665)	-	(397)	(3,289)
Normal	334300-Meter Vaults	334300	-	-	(93)	-	-	-	-	-	-	-	(507)	-
Normal	335000-Hydrants	335000	(14,819)	-	(1,074)	-	(628)	(11,297)	(3,704)	(1,255)	(16,310)	(3,766)	(622)	(1,255)
Normal	340100-Office Furniture & Equip	340100	-	-	-	-	-	-	-	(322)	-	-	-	-
Normal	340200-Comp & Periph Equip	340200	-	-	-	(7,157)	-	-	-	-	-	-	-	-
Normal	340220-Comp & Periph Personal	340220	-	-	-	-	(3,919)	-	-	-	-	-	-	-
Normal	340300-Computer Software	340300	-	-	-	-	-	-	-	-	-	-	-	-
Normal	340315-Comp Software Spec Depr Rat	340315	-	-	-	-	-	-	-	-	(3,028,406)	-	-	-
Normal	341100-Trans Equip Lt Duty Trks	341100	-	-	-	-	-	-	-	-	-	-	-	-
Normal	341300-Trans Equip Autos	341300	-	-	-	-	-	-	-	-	-	-	-	-
Normal	341400-Trans Equip Other	341400	-	-	-	-	-	-	-	-	-	-	-	-
Normal	342000-Stores Equipment	342000	-	-	(24,072)	-	-	-	-	-	-	-	-	-
Normal	343000-Tools,Shop,Garage Equip	343000	-	-	(9,238)	-	(843)	(48,846)	(2,331)	-	-	-	-	(7,023)
Normal	344000-Laboratory Equipment	344000	-	-	-	-	-	-	-	-	-	-	-	-
Normal	346100-Comm Equip Non-Telephone	346100	-	-	-	(7,807)	-	-	-	-	-	-	-	(758)
Normal	346190-Remote Control & Instrument	346190	(19,503)	-	-	-	-	-	-	-	-	-	-	-
Normal	347000-Misc Equipment	347000	-	-	-	-	(1,954)	-	-	-	-	-	-	(3,803)
RETIREMENTS OF NORMAL PROJECTS			**($40,915)**	**($22,768)**	**($27,616)**	**($41,750)**	**($15,790)**	**($124,277)**	**($185,313)**	**($150,991)**	**($3,157,310)**	**($5,833)**	**($26,828)**	**($216,806)**

Project Type	Account Description	Utility Plant Account	Retirements Jan-22	Retirements Feb-22	Retirements Mar-22	Retirements Apr-22	Retirements May-22	Retirements Jun-22	Retirements Jul-22	Retirements Aug-22	Retirements Sep-22	Retirements Oct-22	Retirements Nov-22	Retirements Dec-22
Special	304200-Struct & Imp-Pumping	304200	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Special	304300-Struct & Imp-Treatment	304300	-	(300)	-	521	-	-	-	-	-	-	-	-
Special	306000-Lake, River & Other Intakes	306000	-	-	-	-	-	-	-	-	-	-	-	-
Special	311200-Pump Eqp Electric	311200	-	(1,437)	-	-	-	-	-	-	-	-	-	-
Special	320100-WT Equip Non-Media	320100	-	(24)	-	577,884	-	-	-	-	-	-	-	-
Special	331001-TD Mains Not Classified	331001	-	-	-	-	(75)	-	-	-	-	-	-	-
Special	331100-TD Mains 4in & Less	331100	-	-	-	-	-	(36)	-	-	-	-	-	-
Special	331200-TD Mains 6in to 8in	331200	-	-	-	-	-	(1,120)	-	-	-	-	-	-
Special	331300-TD Mains 10in to 16in	331300	-	-	-	-	-	(574)	-	-	-	-	-	-
RETIREMENTS OF SPECIAL PROJECTS			**$0**	**($1,761)**	**$0**	**$578,405**	**($75)**	**($1,729)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

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Project Type	Account Description	Utility Plant Account	Retirements Jan-23	Retirements Feb-23	Retirements Mar-23	Retirements Apr-23	Retirements May-23	Retirements Jun-23	Retirements Jul-23	Retirements Aug-23	Retirements Sep-23	Retirements Oct-23	Retirements Nov-23	Retirements Dec-23
Normal	303501-Land-T&D	303501	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Normal	304100-Struct & Imp-Supply	304100	-	-	-	(3,554)	-	-	-	-	-	-	-	-
Normal	304200-Struct & Imp-Pumping	304200	-	-	-	-	(274)	-	-	-	-	-	-	-
Normal	304300-Struct & Imp-Treatment	304300	-	-	-	-	-	-	-	-	-	-	-	-
Normal	304500-Struct & Imp-General	304500	(999)	-	-	-	-	-	-	-	-	-	-	-
Normal	304700-Struct & Imp-Store,Shop,Gar	304700	-	-	-	-	-	-	-	-	-	-	-	-
Normal	304800-Struct & Imp-Misc	304800	-	-	-	-	-	-	-	-	-	-	-	-
Normal	311200-Pump Eqp Electric	311200	-	-	-	-	(5,522)	-	-	-	-	(2,690)	-	(1,896)
Normal	311300-Pump Eqp Diesel	311300	-	-	-	-	-	-	-	-	-	-	-	-
Normal	311500-Pump Eqp Other	311500	-	-	-	(415)	-	-	-	-	-	(1,353)	-	-
Normal	311520-Pump Eqp-SOS & Pumping	311520	-	-	-	-	-	-	-	(195)	-	-	-	-
Normal	320100-WT Equip Non-Media	320100	(395)	-	(118)	-	-	-	-	(29,355)	(10,038)	(408)	(79,625)	-
Normal	320200-WT Equip Filter Media	320200	-	-	-	-	-	-	-	-	-	-	-	-
Normal	330000-Dist Reservoirs & Standpipes	330000	(66,912)	-	-	-	-	-	(103,320)	-	(23,056)	-	-	-
Normal	330003-Tank Repainting	330003	(342,040)	-	-	-	-	-	-	-	-	-	-	-
Normal	331001-TD Mains Not Classified	331001	-	-	-	-	(5)	-	-	-	-	-	-	-
Normal	331100-TD Mains 4in & Less	331100	(6,214)	-	(4,092)	(14)	(153)	-	(549)	-	(18)	-	(179,561)	(330)
Normal	331200-TD Mains 6in to 8in	331200	(2,811)	(6)	(216)	(1,335)	(7,620)	-	(2,794)	(10)	-	-	(332)	(341)
Normal	331300-TD Mains 10in to 16in	331300	-	-	(34)	-	(228)	-	-	-	(8,938)	-	-	-
Normal	331400-TD Mains 18in & Grtr	331400	-	-	-	-	-	-	-	-	-	-	-	-
Normal	333000-Services	333000	(8,571)	-	(43)	(7,751)	(1,252)	-	-	(94)	-	-	-	(123,061)
Normal	334100-Meters	334100	(2,780)	(1,262)	(4,017)	(2,743)	(2,771)	(68)	-	(8,748)	-	-	-	(28,312)
Normal	334110-Meters Bronze Case	334110	-	-	-	-	-	-	-	-	-	-	-	-
Normal	334200-Meter Installations	334200	(1,568)	(37)	(37)	(87)	(56)	-	(3,650)	-	-	-	(2,542)	(592)
Normal	334300-Meter Vaults	334300	(80)	-	-	-	-	-	-	-	-	-	-	-
Normal	335000-Hydrants	335000	(2,321)	-	-	(6,979)	-	-	(5,021)	-	-	-	(4,377)	(18,673)
Normal	340100-Office Furniture & Equip	340100	-	-	-	-	-	-	-	-	-	-	-	-
Normal	340200-Comp & Periph Equip	340200	-	-	-	-	-	-	-	-	-	-	-	-
Normal	340220-Comp & Periph Personal	340220	-	-	-	-	-	-	-	-	-	-	-	-
Normal	340300-Computer Software	340300	-	-	-	-	-	-	-	-	-	-	-	-
Normal	340315-Comp Software Spec Depr Rat	340315	-	-	-	-	-	(4,134,875)	-	-	-	-	-	-
Normal	341100-Trans Equip Lt Duty Trks	341100	-	-	(64,868)	-	-	-	-	-	-	-	(13,886)	-
Normal	341300-Trans Equip Autos	341300	-	-	(314,895)	-	-	-	-	-	-	-	(27,347)	-
Normal	341400-Trans Equip Other	341400	-	-	(14,259)	-	-	-	-	-	-	-	(47,450)	-
Normal	342000-Stores Equipment	342000	-	-	-	-	-	-	-	-	-	-	-	-
Normal	343000-Tools,Shop,Garage Equip	343000	-	-	(25,747)	-	-	(36,944)	-	-	-	(182)	-	-
Normal	344000-Laboratory Equipment	344000	-	-	-	-	-	-	-	-	-	-	-	-
Normal	346100-Comm Equip Non-Telephone	346100	(1,366)	-	(703)	-	-	-	-	-	-	-	-	(4,328)
Normal	346190-Remote Control & Instrument	346190	-	-	-	-	-	-	(1,226)	-	-	-	-	-
Normal	347000-Misc Equipment	347000	-	-	-	-	(9,059)	(34,427)	-	-	-	-	-	-
RETIREMENTS OF NORMAL PROJECTS			**($436,057)**	**($1,305)**	**($429,029)**	**($22,879)**	**($26,940)**	**($4,206,314)**	**($116,559)**	**($38,402)**	**($42,050)**	**($4,633)**	**($355,121)**	**($177,533)**

Project Type	Account Description	Utility Plant Account	Retirements Jan-23	Retirements Feb-23	Retirements Mar-23	Retirements Apr-23	Retirements May-23	Retirements Jun-23	Retirements Jul-23	Retirements Aug-23	Retirements Sep-23	Retirements Oct-23	Retirements Nov-23	Retirements Dec-23
Special	304200-Struct & Imp-Pumping	304200	($256,051)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Special	304300-Struct & Imp-Treatment	304300	-	-	-	-	-	-	-	-	-	-	-	-
Special	306000-Lake, River & Other Intakes	306000	-	-	-	-	-	-	-	-	-	-	-	-
Special	311200-Pump Eqp Electric	311200	-	-	-	-	-	-	-	-	-	-	-	-
Special	320100-WT Equip Non-Media	320100	-	-	-	-	-	-	-	-	-	-	-	-
Special	331001-TD Mains Not Classified	331001	-	-	-	-	-	-	-	-	-	-	-	-
Special	331100-TD Mains 4in & Less	331100	-	-	-	-	-	-	-	-	-	-	-	-
Special	331200-TD Mains 6in to 8in	331200	(10)	-	-	-	-	-	-	-	-	-	-	-
Special	331300-TD Mains 10in to 16in	331300	-	-	-	-	-	-	-	-	-	-	-	-
RETIREMENTS OF SPECIAL PROJECTS			**($256,061)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

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Account Description	Utility Plant Account	Additions Jan-21	Additions Feb-21	Additions Mar-21	Additions Apr-21	Additions May-21	Additions Jun-21	Additions Jul-21	Additions Aug-21	Additions Sep-21	Additions Oct-21	Additions Nov-21	Additions Dec-21
27111000 CIAC-Non Taxable - Mains	271110	0.00	0.00	0.00	(14,165.27)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
27112000 CIAC-Non Taxable - Ext Dep	271120	0.00	(151,230.80)	0.00	0.00	(28,940.14)	0.00	(13,944.58)	0.00	0.00	(9,720.88)	(111,847.95)	(85,927.00)
27113000 CIAC-Non Taxable - Services	271130	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
27114000 CIAC-Non Taxable - Meters	271150	0.00	0.00	0.00	(943.51)	0.00	0.00	(439.95)	0.00	0.00	(0.02)	3,853.56	(3,853.56)
27115000 CIAC-Non Taxable - Hydrants	271160	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	104,000.00
27116000 CIAC-Non Taxable - Other	271210	(20,757.14)	105,186.99	695,822.07	(36,073.28)	27,201.29	89,855.20	35,134.30	(46,524.81)	4,256.99	1,340.24	(6,917.99)	(138,012.36)
27122000 CIAC-Taxable - Extension Deposits	271220	0.00	0.00	0.00	0.00	0.00	0.00	25,260.00	0.00	0.00	(13,794.13)	0.00	0.00
27123000 CIAC-Taxable - Services	271230	0.00	331,866.93	(3,236.62)	0.00	0.00	0.00	0.00	0.00	(0.00)	(9,402.84)	0.00	(28,551.86)
27124000 CIAC-Taxable - Meters	271240	0.00	0.00	1,001.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
27125000 CIAC-Taxable - Hydrants	271250	2,391.34	0.00	13,095.44	0.00	(281.57)	7,087.90	4,314.23	(2,566.24)	2,296.77	962.58	(365.64)	25,526.49
27141000 CIAC-Taxable - Mains FIT	271410	39,874.43	105,187.01	695,055.87	0.00	27,201.31	96,255.23	35,134.30	(46,524.82)	4,256.99	1,340.26	(6,917.99)	(337,348.27)
27143000 CIAC-Taxable - Services FIT	271430	0.00	0.00	1,234.62	0.00	0.00	0.00	0.00	0.00	0.00	605.86	0.00	40,129.60
27145000 CIAC-Taxable - Hydrants FIT	271450	2,732.01	0.00	4,611.86	0.00	(281.57)	7,300.82	4,314.25	(2,566.22)	2,296.79	962.58	(365.64)	8,863.47
CIAC ADDITIONS		**$24,241**	**$391,010**	**$1,407,584**	**($51,182)**	**$24,899**	**$200,499**	**$89,773**	**($98,182)**	**$13,108**	**($27,706)**	**($122,562)**	**($415,173)**

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Account Description	Utility Plant Account	Additions Jan-22	Additions Feb-22	Additions Mar-22	Additions Apr-22	Additions May-22	Additions Jun-22	Additions Jul-22	Additions Aug-22	Additions Sep-22	Additions Oct-22	Additions Nov-22	Additions Dec-22
27111000 CIAC-Non Taxable - Mains	271110	286,662.39	353,895.49	0.00	(618.94)	(0.01)	305,083.54	(156,214.38)	166,293.68	0.00	143,099.00	0.00	2,834,455.00
27112000 CIAC-Non Taxable - Ext Dep	271120	(2,721.00)	(0.01)	0.00	(6,733.54)	0.00	(6,908.99)	(52,956.28)	0.00	0.00	0.00	0.00	0.00
27113000 CIAC-Non Taxable - Services	271130	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,445.00	0.00	0.00	0.00	0.00
27114000 CIAC-Non Taxable - Meters	271150	31,024.12	20,059.17	8,447.12	(1,220.16)	0.01	585.96	(1,225.33)	294.65	0.00	11,428.26	0.00	11,930.11
27115000 CIAC-Non Taxable - Hydrants	271160	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
27116000 CIAC-Non Taxable - Other	271210	144,791.87	(317,729.49)	0.00	331,798.77	(6,144.17)	24,923.44	497.22	(60,562.84)	(2,601.45)	(844.91)	0.00	(153,481.09)
27122000 CIAC-Taxable - Extension Deposits	271220	0.00	(31,428.06)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
27123000 CIAC-Taxable - Services	271230	0.00	(5,048.74)	0.00	105,385.00	0.00	0.00	(921.50)	(21.62)	0.01	106,660.58	5,993.81	2,268.32
27124000 CIAC-Taxable - Meters	271240	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
27125000 CIAC-Taxable - Hydrants	271250	259.69	(18,743.53)	0.00	(2,638.68)	6,144.17	14,750.93	21.62	5,561.43	275.28	(38.58)	0.00	(7,113.24)
27141000 CIAC-Taxable - Mains FIT	271410	6,706.44	(76,651.62)	0.00	2,638.69	(6,144.17)	18,776.37	497.22	(42,742.49)	(2,601.41)	(844.91)	0.00	(153,481.10)
27143000 CIAC-Taxable - Services FIT	271430	0.00	0.00	0.00	0.00	0.00	0.00	21.62	(21.62)	0.01	0.00	2,996.91	1,134.18
27145000 CIAC-Taxable - Hydrants FIT	271450	0.00	(7,422.26)	0.00	(2,638.68)	6,144.17	2,884.43	21.62	(3,101.12)	275.28	(38.58)	0.00	(7,113.24)
CIAC ADDITIONS		**$466,724**	**($83,069)**	**$8,447**	**$425,972**	**$0**	**$360,096**	**($210,258)**	**$69,145**	**($4,652)**	**$259,421**	**$8,991**	**$2,528,599**

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Account Description	Utility Plant Account	Additions Jan-23	Additions Feb-23	Additions Mar-23	Additions Apr-23	Additions May-23	Additions Jun-23	Additions Jul-23	Additions Aug-23	Additions Sep-23	Additions Oct-23	Additions Nov-23	Additions Dec-23
27111000 CIAC-Non Taxable - Mains	271110	0.00	485,735.00	0.00	365,049.85	67,412.00	348,169.00	49,862.00	618.15	33,682.49	(158,362.58)	(232,414.03)	0.00
27112000 CIAC-Non Taxable - Ext Dep	271120	0.00	0.00	0.00	(5,671.87)	0.00	0.00	0.00	0.00	(354.71)	(2,336.15)	(31,655.23)	(0.00)
27113000 CIAC-Non Taxable - Services	271130	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
27114000 CIAC-Non Taxable - Meters	271150	0.00	0.00	0.00	(7,460.77)	1,564.05	0.00	0.00	0.00	168.77	(1,029.53)	9,319.12	0.00
27115000 CIAC-Non Taxable - Hydrants	271160	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
27116000 CIAC-Non Taxable - Other	271210	(79,524.36)	77,025.52	(13,906.63)	(98,670.29)	(1,155.17)	0.00	0.00	0.00	0.00	14,105.68	(60,795.05)	0.00
27122000 CIAC-Taxable - Extension Deposits	271220	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
27123000 CIAC-Taxable - Services	271230	8,934.48	6,356.69	11,163.82	8,642.58	7,543.54	7,710.60	7,051.34	9,435.24	7,255.88	2,268.34	16,896.78	1,862.75
27124000 CIAC-Taxable - Meters	271240	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
27125000 CIAC-Taxable - Hydrants	271250	116.63	2,382.23	(1,545.19)	(6,298.11)	(913.06)	0.00	0.00	0.00	0.00	1,904.00	(5,574.68)	0.00
27141000 CIAC-Taxable - Mains FIT	271410	(79,524.40)	77,025.52	(13,906.65)	(98,670.30)	(1,155.15)	0.00	0.00	0.00	0.00	5,087.35	(80,712.22)	0.00
27143000 CIAC-Taxable - Services FIT	271430	4,467.24	3,178.36	5,581.92	4,321.29	3,771.77	3,855.28	3,525.68	4,717.64	3,450.55	1,134.16	4,804.80	931.36
27145000 CIAC-Taxable - Hydrants FIT	271450	116.63	2,382.23	(1,545.19)	(6,298.11)	423.38	0.00	0.00	0.00	0.00	1,904.00	(5,946.11)	0.00
CIAC ADDITIONS		**($145,414)**	**$654,086**	**($14,158)**	**$154,944**	**$77,491**	**$359,735**	**$60,439**	**$14,771**	**$44,203**	**($135,325)**	**($386,077)**	**$2,794**

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 052

RATE BASE (EXCLUDING WORKING CAPITAL)

Break down budgeted plant additions between normal and special projects, using the criteria defined above, for the months between the end of the last fiscal year and the end of the attrition period. Provide sufficient detail of each individual project as to the date of inception and completion, and the proposed methods of financing. Identify those budgeted plant additions that are in process or have already been completed. Basic assumptions underlying budgets should also be submitted including the assumptions for sales volumes.

Response:

Please refer to 2024 TAWC MFG Q052_Attachment. For additional information on the plant additions scheduled to go into service between January 1, 2024, through December 31, 2025, see the Direct Testimony of Kevin Kruchinski.

Tennessee American Water Company
Docket No. 24-XXXXX
Budgeted Plant Additions by Month, Jan 2024 - Dec 2025
MFG Q052

		Project Begin	End	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
	Normal projects	annual																									
DV	Projects Funded by Others			$0	$194,010	$125,000	$189,782	$192,605	$125,000	$125,000	$125,000	$125,000	$125,000	$125,000	$712,612	$125,000	$125,000	$125,000	$125,000	$125,000	$125,000	$125,000	$125,000	$125,000	$125,000	$125,000	$125,000
A	Mains - New			53,447	33,232	35,479	50,327	116,361	50,546	56,084	76,264	76,444	56,444	50,764	30,947	27,026	37,344	37,605	37,866	37,866	37,866	37,866	37,866	37,866	37,866	37,866	36,819
B	Mains - Replaced / Restored			0	125,880	252,641	358,413	301,535	331,401	331,633	357,042	357,218	317,112	298,704	281,509	258,125	374,625	423,563	426,506	433,880	433,929	433,978	426,929	426,880	426,830	426,830	426,830
C	Mains - Unscheduled			345	186,311	187,614	157,471	114,352	113,547	108,226	108,231	113,231	114,562	156,438	163,008	189,210	240,892	227,471	136,523	102,510	95,596	93,811	93,758	95,258	101,303	134,616	227,418
D	Mains - Relocated			6,804	22,356	22,513	22,669	153,282	30,522	30,577	30,634	22,779	22,724	22,669	22,669	21,920	16,062	16,175	19,499	22,734	29,204	32,484	32,551	32,574	32,574	32,574	29,049
E	Hydrants, Valves, and Manholes - New			0	23,766	23,932	24,227	25,735	28,139	28,912	28,188	28,188	28,525	24,661	24,133	24,593	16,257	16,371	19,736	23,010	29,558	32,878	32,946	32,968	32,968	32,968	29,717
F	Hydrants, Valves, and Manholes - Replaced			0	80,372	81,035	81,613	81,613	83,659	83,727	83,703	83,682	83,681	81,642	81,628	82,146	39,010	39,283	47,357	55,214	70,927	78,893	79,056	79,111	79,111	79,111	71,309
G	Services and Laterals - New			0	200,452	214,945	217,954	216,540	216,540	219,708	216,552	216,552	217,643	216,537	216,537	204,540	157,417	158,518	191,102	222,805	286,212	318,356	319,017	319,237	319,237	319,237	287,753
H	Services and Laterals - Replaced			0	33,988	35,232	46,555	58,730	89,104	92,455	92,793	89,667	62,959	47,625	35,752	34,287	30,539	37,734	45,501	53,106	68,220	75,709	76,038	76,090	76,091	76,091	68,587
I	Meters - New			(1,023)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
J	Meters - Replaced			0	161,328	369,436	315,493	271,087	303,351	303,404	303,485	274,280	271,205	267,809	265,752	255,706	148,298	149,335	179,585	209,002	267,836	297,662	298,274	298,479	298,479	298,479	269,266
K	ITS Equipment and Systems			0	59,989	28,496	28,996	28,696	23,661	23,888	23,590	23,691	23,589	23,589	23,588	23,714	18,773	18,904	22,790	26,571	34,132	37,966	38,044	38,071	38,071	38,071	34,316
L	SCADA Equipment and Systems			0	20,342	20,484	20,627	20,627	20,627	23,648	20,648	20,648	20,627	20,627	20,627	20,470	12,420	12,507	12,996	12,596	12,596	12,996	12,596	12,596	12,996	12,596	12,596
M	Security Equipment and Systems			43,506	12,286	12,372	15,781	17,791	22,891	21,429	18,433	17,898	17,269	17,060	14,537	12,254	16,666	16,782	16,899	16,899	16,899	16,899	16,899	16,899	16,899	16,899	16,899
N	Offices and Operations Centers			0	0	0	6,143	43	43	6,143	43	43	6,143	43	43	6,313	0	0	6,143	43	43	6,143	43	43	6,143	43	43
O	Vehicles			(94)	0	0	451,366	3,155	3,155	463,365	3,240	3,240	463,365	3,240	3,240	447,846	0	0	407,852	2,852	2,852	411,880	2,880	2,880	411,880	2,880	2,880
P	Tools and Equipment			46,480	6,972	3,296	25,474	4,229	5,241	27,254	5,261	4,302	25,492	25,634	3,628	1,919	3,272	3,296	25,474	6,243	7,269	27,282	7,289	4,316	25,506	25,634	5,643
Q	Process Plant Facilities and Equipment			(54)	143,352	144,355	149,385	145,385	145,385	149,385	145,385	145,385	152,406	145,406	228,927	148,761	115,155	115,960	116,766	152,012	152,259	152,505	152,505	152,505	152,505	117,259	117,012
R	Capitalized Tank Rehabilitation/Painting			45,214	81,570	280,800	97,915	97,014	97,014	98,014	97,014	97,014	98,014	97,014	97,014	96,164	127,189	128,079	128,968	128,968	128,968	128,968	128,968	128,968	128,968	128,968	128,968
S	Engineering Studies			347,409	20,702	4,158	4,187	4,187	4,187	5,321	4,187	4,187	4,187	4,187	4,187	4,034	4,129	4,158	4,187	4,187	4,187	4,187	4,187	4,187	4,187	4,187	4,187
T	Enterprise Solutions			0	0	239,536	0	0	13,200	0	0	0	0	0	1,413,060	0	0	0	0	0	39,600	0	0	0	0	0	1,492,524
	Total Normal Projects			$542,034	$1,406,909	$2,081,322	$2,264,377	$1,852,965	$1,707,211	$2,198,173	$1,739,691	$1,703,447	$2,110,946	$1,628,647	$3,643,397	$1,984,025	$1,483,048	$1,530,740	$1,970,750	$1,635,498	$1,843,153	$2,325,462	$1,884,846	$1,883,927	$2,326,614	$1,909,309	$3,386,816
	Special projects																										
I26-020048	Replace Elder Mt Transmission Main	1/4/2022	10/31/2025	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,412,332	$16,423	$10,948
I26-020051	Replace Switch Gear - Citico	4/1/2021	12/30/2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9,517,258
I26-020068	Lookout Valley Redun - River Crossing	1/28/2021	12/30/2024	0	0	0	0	0	0	0	0	0	0	0	2,958,649	109,484	109,484	0	0	0	0	0	0	0	0	0	0
I26-020076	The Bend Phase 1 - Main Ext	7/1/2024	12/31/2024	0	0	0	0	0	0	0	0	0	0	0	300,000	0	0	0	0	0	0	0	0	0	0	0	0
I26-020077	Lookout Valley Redun - Booster Station	5/10/2022	12/21/2023	56,683	81,037	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
I26-020079	Thickener #1 Sludge Rake Replacement	11/14/2022	9/30/2024	0	0	0	0	0	0	0	0	106,217	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
I26-050003	Whitwell Clearwell	1/1/2021	12/31/2024	0	0	0	0	0	0	0	0	0	0	0	2,208,866	36,130	36,130	36,130	0	0	0	0	0	0	0	0	0
I26-050011	Raw Water Intake Improvements Ph 2	12/30/2022	7/28/2023	0	0	0	0	75,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
I26-020083	Rolling Hills/Maple Hill Land Purchase	2/12/2024	2/29/2024	0	575,113	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
I26-020082	Cummings Hwy Booster	2/12/2024	10/31/2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,016,978	10,948	10,948
I26-0500x1	Whitwell Dist Tanks	10/1/2024	12/31/2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,479,643
I26-020078	Chattanooga Ops Center Land Purchase	8/1/2024	12/31/2024	0	0	0	0	0	0	0	0	0	0	0	1,700,000	0	0	0	0	0	0	0	0	0	0	0	0
I26-02xxxx1	Aetna Mtn Development Yr 1	11/1/2024	12/31/2024	0	0	0	0	0	0	0	0	0	0	0	1,260,780	0	0	0	0	0	0	0	0	0	0	0	0
I26-02xxxx2	WW Handling	10/1/2024	12/31/2024	0	0	0	0	0	0	0	0	0	0	0	120,000	0	0	0	0	0	0	0	0	0	0	0	0
	Total Special Projects			$56,683	$656,150	$0	$0	$75,000	$0	$0	$0	$106,217	$0	$0	$8,548,295	$145,613	$145,613	$36,130	$0	$0	$0	$0	$0	$0	$3,429,310	$27,371	$11,018,797
	Total Projects			$598,717	$2,063,059	$2,081,322	$2,264,377	$1,927,965	$1,707,211	$2,198,173	$1,739,691	$1,809,664	$2,110,946	$1,628,647	$12,191,692	$2,129,639	$1,628,661	$1,566,870	$1,970,750	$1,635,498	$1,843,153	$2,325,462	$1,884,846	$1,883,927	$5,755,924	$1,936,680	$14,405,613

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 053

RATE BASE (EXCLUDING WORKING CAPITAL)

Identify all special projects from the end of the test period through the attrition period, using the criteria defined in the preceding question 52, by work order number and include the estimated cost. Provide a signed authorization for each special project and identify the planned starting and completion dates.

Response:

Please refer to the projects listed below. For additional information on the plant additions scheduled to go into service between January 1, 2024 through December 31, 2025, see the Direct Testimony 2024, Kevin Kruchinski.

Special projects do not receive signed authorization, but are instead made part of the The Strategic Capital Expenditure Plan ("SCEP"), which is approved annually. Please see the Direct Testimony of Kevin Kruchinski for additional information regarding the SCEP and the governess process.

Project #	Project Description	Begin	End	Total Estimated cost
I26-020048	Replace Elder Mt Transmission Main	1/4/2022	10/31/2025	2,519,703
I26-020051	Replace Switch Gear - Citico	4/1/2021	12/30/2025	8,624,428
I26-020067	Lookout Redun - Citico Tank	12/7/2020	12/31/2026	4,624,210
I26-020068	Lookout Valley Redun - River Crossing	1/28/2021	12/30/2024	4,718,967
I26-020072	Lookout Valley Tank #2	5/1/2024	12/31/2026	3,361,466
I26-020076	The Bend Phase 1 - Main Ext	7/1/2024	12/31/2024	337,469
I26-020077	Lookout Valley Redun - Booster Station	5/10/2022	12/21/2023	4,354,427
I26-020079	Thickener #1 Sludge Rake Replacement	11/14/2022	9/30/2024	106,217
I26-050003	Whitwell Clearwell	1/1/2021	12/31/2024	2,408,389
I26-050011	Raw Water Intake Improvements Ph 2	12/30/2022	7/28/2023	1,747,216
I26-020083	Rolling Hills/Maple Hill Land Purchase	2/12/2024	2/29/2024	575,113
I26-020081	Aetna Mtn Tank	2/5/2024	4/1/2026	3,894,219
I26-020082	Cummings Hwy Booster	2/12/2024	10/31/2025	838,874
I26-0500x1	Whitwell Dist Tanks	10/1/2024	12/31/2025	1,479,643
I26-020055	St Elmo Booster Replacement	12/1/2024	12/31/2027	4,414,116
I26-0200x1	Browns Ferry Improvement	1/1/2025	8/1/2027	5,003,293

I26-0200x2	Advanced Water Quality Treatment	1/1/2025	12/31/2030	84,309,138
I26-0500x2	Whitwell Plant Improvements	10/1/2025	12/31/2027	549,068
I26-0200x3	LCRR - Ph 1	8/1/2025	10/31/2027	480,534
I26-020078	Chattanooga Ops Center Land Purchase	8/1/2024	12/31/2024	2,065,439
I26-02xxxx1	Aetna Mtn Development Yr 1	11/1/2024	12/31/2024	2,275,111
I26-02xxxx2	WW Handling	10/1/2024	12/31/2024	120,000

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Bob Lane

Question 054

RATE BASE (EXCLUDING WORKING CAPITAL)

Identify by account the salvage and cost of removal for retirements provided in response to the preceding question 53 for the last four (4) fiscal years to include the test period.

Response:

Please refer to 2024 TAWC MFG Q054_Attachment.

Tennessee American Water Company
Removal and Salvage by Account 2020 through 2023
Docket No. 24-XXXXX
TAWC MFG Q054

Account		2020		2021		2022		2023	
No.	Account Description	Removal	Salvage	Removal	Salvage	Removal	Salvage	Removal	Salvage
303501	Land-T&D	$0	$0	$0	($31,489)	$0	$0	$0	$0
304100	Struct & Imp-Supply	1,822	-	238	-	13,374	-	9,382	-
304200	Struct & Imp-Pumping	2,456	-	22,510	-	4,176	-	-	-
304300	Struct & Imp-Treatment	1,522,398	-	590,695	-	9,580	-	-	-
304500	Struct & Imp-General	2,891	-	9,543	-	2,735	-	15,995	-
304600	Struct & Imp-Offices	11,329	-	189	-	139	-	-	-
304800	Struct & Imp-Misc	-	-	5,380	-	3,088	-	6,439	-
306000	Lake, River & Other Intakes	5,351	-	-	-	-	-	-	-
309000	Supply Mains	24	-	-	-	-	-	-	-
310000	Power Generation Equip	1,971	-	-	-	-	-	-	-
311200	Pump Eqp Electric	28,640	-	7,067	-	-	-	-	-
311500	Pump Eqp Other	43,249	-	165,577	-	120,953	-	19,078	-
311520	Pump Eqp-SOS & Pumping	-	-	-	-	7,205	-	6,722	-
320100	WT Equip Non-Media	1,742,642	-	1,399,545	-	12,953	-	126,530	-
320200	WT Equip Filter Media	-	-	-	-	71,776	-	-	-
330000	Dist Reservoirs & Standpipes	180,624	-	582,450	-	558,311	-	1,535,514	-
330200	Ground Level Tanks	780,481	-	-	-	-	-	-	-
331001	TD Mains Not Classified	40,907	-	18,549	-	8,576	-	(803)	-
331100	TD Mains 4in & Less	302,006	(642)	463,805	(738)	626,921	(2,423)	700,361	(5,437)
331200	TD Mains 6in to 8in	69,806	(196)	67,225	(58)	157,626	(771)	266,920	(3,957)
331300	TD Mains 10in to 16in	10,515	(31)	7,656	(19)	29,686	(147)	33,537	(855)
331400	TD Mains 18in & Grtr	14,061	-	72,932	-	79	-	-	-
333000	Services	33,387	(109)	28,886	(38)	41,246	-	63,215	(2,816)
334100	Meters	284,884	(32,930)	162,487	(10,075)	231,665	(40,475)	262,976	(27,461)
334131	Meter Reading Units	-	-	-	-	1,692	-	245	-
334200	Meter Installations	162,819	(2,948)	263,340	(2,701)	343,091	(430)	770,769	(12,951)
334300	Meter Vaults	2,651	-	7,407	-	3,297	-	(26)	-
335000	Hydrants	92,614	-	169,737	-	415,184	-	201,150	-
340100	Office Furniture & Equip	-	-	-	-	-	-	2,638	-
340200	Comp & Periph Equip	42,820	-	(0)	-	515	-	5,453	-
340300	Computer Software	-	-	2,227	-	-	-	-	-
341100	Trans Equip Lt Duty Trks	5,383	-	-	-	(4,738)	(81,388)	318	-
341200	Trans Equip Hvy Duty Trks	-	(2,760)	-	-	-	(58,134)	-	-
341400	Trans Equip Other	-	-	-	-	-	(23,254)	-	-
343000	Tools,Shop,Garage Equip	-	-	742	-	3,974	-	253	-
344000	Laboratory Equipment	551	-	21	-	-	-	-	-
345000	Power Operated Equipment	2,635	-	-	-	-	-	-	-
346100	Comm Equip Non-Telephone	2,319	-	3,266	-	7,518	-	2,971	-
346190	Remote Control & Instrument	-	-	(18)	-	-	-	2,338	-
346200	Comm Equip Telephone	-	-	216	-	-	-	-	-
347000	Misc Equipment	5,766	-	-	-	38,309	-	1,302	-
348000	Other Tangible Property	2,235	-	-	-	-	-	-	-
	Total	$5,399,239	($39,616)	$4,051,670	($45,117)	$2,708,929	($207,023)	$4,033,276	($53,477)

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Bob Lane

Question 055

RATE BASE (EXCLUDING WORKING CAPITAL)

Describe TAWC's budgeting process including, but not limited to the following:

a. How far in advance are operating and construction budgets prepared? On what basis is the total operation and construction budget determined? Explain the "approval process" in budget development.
b. How many views or updates of the same budget year are made before a final view is adopted?
c. Are budgets prepared on a monthly, quarterly, or annual basis?
d. Which individual or department has overall responsibility for budgets/reconciliations?
e. Once a final budget has been adopted, are budget to actual (reconciliation) comparisons routinely made? How frequently are reconciliations prepared and by whom?
f. For the last two (2) completed fiscal years, provide copies of all budgets, budget to actual and indicate reasons for the variances.
g. Comparisons on a total Company, total TAWC, and Tennessee only basis.
h. Provide total TAWC and Tennessee Operations budgets and all supporting workpapers for the current fiscal year and next fiscal year.

Response:

a. The budget process typically begins in March and is finalized in September. A down-level monthly budget is produced in collaboration with finance, engineering, operations, Service Company, and Company leadership. Key TAWC employees are involved in each level of the budget review process. The budget goes through several internal reviews with the first level of review being with the President of TAWC. The second level of review is with the SVP Deputy CFO, Corporate Directors, and the regional CFO. The consolidated budget is then reviewed with the Executive Leadership team of AWWSC. The Final budget is then submitted to the TAWC Board of Directors for approval.
b. The number of budget iterations varies based on the results and changes that occur during the process. At minimum, the reviews are as described in subpart a. above, prior to Board approval.
c. The Year 1 budget is prepared monthly. Years 2 through 5 are prepared annually.
d. The TAWC President has ownership of the overall state budget based on guidance from finance, rates, engineering, and operations.
e. The company prepares monthly budget to actual reconciliations that are reviewed by state management as well as the divisional CFO. The finance department prepares the variance analysis with significant input from the operations, engineering, and rates departments.
f. Please see TAWC MFG Q055_Attachment 1
g. TAWC prepares one budget that includes a small portion of expense for Georgia.
Please see TAWC MFG Q055_Attachment 2 for workpapers related to the current fiscal year and the next fiscal year.

TN Executive P&L - Dec 2023 Full Year

Tennessee - *fav/(unfav)*	2023 Final	2023 Budget	Delta	Notable Items vs Budget
Revenues	**$ 66,176**	**$ 63,526**	**$ 2,650**	$2.6m higher usg & weather, $0.45m organic growth & ($0.5m) one time reserve to be amortized in 2024
Production	$ (4,243)	$ (3,996)	$ (247)	($270k) Fuel & Power ($591k) Chemicals, ($246k) Waste disposal, ($112k) Purchased Water & $973k PCOP adj
Employee	$ (7,353)	$ (8,091)	$ 739	$475k Vacancy Rate 11.4%; $45k Cap rate 38.6% vs Bud 36.7%, ($27k) OT, $254k Grp Ins $155k & ($8k) Other
Service Company	$ (8,135)	$ (8,243)	$ 108	
Contracted Services	$ (990)	$ (630)	$ (360)	Higher exps for locates and other one time misc expenses
Travel & Entertainment	$ (196)	$ (140)	$ (57)	Relocation
Uncollectibles	$ (383)	$ (435)	$ 52	Uncollectible rate Act 0.59% vs Bud 0.70%
All Other	$ (4,447)	$ (3,359)	$ (1,088)	($450k) Mgmt Chall recovered in rev, ($310k) IOTG, ($386k) 2023 Impact
Total Operation & Maintenance	**$ (25,747)**	**$ (24,895)**	**$ (852)**	
Total O&M Efficiency Ratio	*-37.6%*	*-37.9%*	*0.3%*	
D&A	$ (11,637)	$ (11,800)	$ 163	Higher depreciation trend offset by BT asset retirements
General Taxes	$ (6,389)	$ (6,496)	$ 107	Fav property tax true up and lower than plan accruals offset by F&E tax true up
Misc	$ -	$ -	$ -	
Total Operating Expense	**$ (43,773)**	**$ (43,191)**	**$ (582)**	
OPINC	**$ 22,403**	**$ 20,335**	**$ 2,068**	
Interest Expense	$ (4,951)	$ (5,708)	$ 757	Lower ST debt int. exps due to Equity infusion not in the plan,fav changes to LTD issuance and Int inc. from Mkt accts
Total AFUDC	$ 511	$ 714	$ (203)	Budget profiling
Other Income / (Exp)	$ 228	$ 823	$ (595)	Pension/OPEB
Pre-Tax Income	$ 18,192	$ 16,165	$ 2,027	
Income Taxes	$ (4,474)	$ (3,840)	$ (634)	
Net Income	**$ 13,718**	**$ 12,325**	**$ 1,393**	$1,960k 'Revenue, $560 Int exps, $80k Svc co, ($420k) Pensions/OPEB & ($800k) O&M
e/r	*21%*	*19%*	*1%*	

Tennessee KPIs	2023 Final	2023 Budget	Delta
System Delivery *(million gallons)*	12,885	12,100	785
Water Rev per million system delivery *(000s)*	$ 5,044	$ 5,158	-2%
Fuel, Power & Chemicals E/R %	-5.1%	-5.5%	0.4%
NRW % 12 Month Rolling	-23.3%	-25.5%	2.1%
Total Headcount	101	114	(13)
Uncollectible rate	0.6%	0.7%	0.1%
Total Cap Labor Rate	38.6%	36.7%	1.9%
OT Spend *(Cap + Exp 000s)*	$ (855)	$ (655)	$ (200)
OT Cap Labor Rate	65.9%	59.6%	6.3%

TN Executive P&L - Dec 2022 Full Year

Tennessee - *fav/(unfav)*	2022 Final	2022 Budget	Delta	Notable Items vs Budget
Revenues	**$ 60,819**	**$ 58,652**	**$ 2,167**	Usage $1.5M & Capital Riders $0.6M
Production	$ (4,548)	$ (3,843)	$ (706)	Fuel & Power (635k), Chemicals ($660k), Waste disposal ($190k), Purchased Water ($55k) & PCOP adj $830k
Employee	$ (7,013)	$ (7,718)	$ 705	$416k Vacancy Rate 9.8%; $44k Cap rate 37.6% vs Bud 36.8%, Grp Ins $186k and Other $58k
Service Company	$ (8,040)	$ (8,803)	$ 764	
Contracted Services	$ (972)	$ (760)	$ (213)	Pull fwd & other, higher legal exps and lobbying exps reclassed to Other income line
Travel & Entertainment	$ (172)	$ (134)	$ (38)	Relocation
Uncollectibles	$ (345)	$ (419)	$ 74	Uncollectible rate Act 0.58% vs Bud 0.73%
All Other	$ (4,762)	$ (2,923)	$ (1,840)	Pull fwd and other higher misc, transportation & bldg maint. Exps & Mgmt challenge
Total Operation & Maintenance	**$ (25,853)**	**$ (24,600)**	**$ (1,253)**	
Total O&M Efficiency Ratio	*-39.7%*	*-39.0%*	*-0.7%*	
D&A	$ (11,105)	$ (11,065)	$ (41)	
General Taxes	$ (5,652)	$ (6,322)	$ 669	2021 Actuals & 2022 accrual true up for Property taxes
Misc	$ -	$ -	$ -	
Total Operating Expense	**$ (42,611)**	**$ (41,986)**	**$ (625)**	
OPINC	**$ 18,208**	**$ 16,666**	**$ 1,542**	
Interest Expense	$ (4,571)	$ (4,432)	$ (138)	Higher interest rates
Total AFUDC	$ 307	$ 504	$ (197)	Budget profiling
Other Income / (Exp)	$ 1,132	$ 1,045	$ 86	Pension/OPEB and def comp partially offset by lobbying exps reclassed from Cont. svc.
Pre-Tax Income	$ 15,076	$ 13,783	$ 1,293	
Income Taxes	$ (2,088)	$ (1,840)	$ (248)	
Net Income	**$ 12,988**	**$ 11,944**	**$ 1,045**	Revenue $1.6M, Svc co $560k, Gen tax $495k, Pull fwd & othr ($1.0M), Other O&M ($430k) & Dep/AFUDC ($180k)
e/r	*21%*	*20%*	*1%*	

Tennessee KPIs	2022 Final	2022 Budget	Delta
System Delivery *(million gallons)*	12,979	12,547	432
Water Rev per million system delivery *(000s)*	$ 4,598	$ 4,584	0%
Fuel, Power & Chemicals E/R %	-6.4%	-5.9%	-0.6%
NRW % 12 Month Rolling	-27.7%	-27.0%	-0.7%
Total Headcount	101	112	(11)
Uncollectible rate	0.6%	0.7%	0.1%
Total Cap Labor Rate	37.2%	36.8%	0.4%
OT Spend *(Cap + Exp 000s)*	$ (596)	$ (644)	$ 49
OT Cap Labor Rate	58.5%	60.9%	-2.5%

TN American Water

2024 Budget Balancesheet

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
ASSETS												
Utility Plant in Service	474,522	476,080	478,083	482,907	484,569	486,721	488,768	490,400	492,394	493,995	495,485	513,760
Construction Work in Progress	9,590	10,785	14,572	12,809	14,086	15,316	16,143	17,354	18,615	19,578	20,425	4,861
Utility Plant Accumulated Depreciation/Amortization	(135,737)	(136,589)	(137,443)	(138,302)	(139,176)	(140,039)	(140,908)	(141,778)	(142,649)	(143,526)	(144,405)	(145,285)
Total Utility Plant Adjustments	(3,750)	(3,750)	(3,750)	(3,750)	(3,750)	(3,750)	(3,750)	(3,750)	(3,750)	(3,750)	(3,750)	(3,750)
Utility property net of accumulatd depreciation	**344,626**	**346,526**	**351,462**	**353,664**	**355,729**	**358,249**	**360,254**	**362,226**	**364,611**	**366,298**	**367,755**	**369,587**
Nonutility property net of accumulatd depreciation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Property Plant and Equipment	**344,626**	**346,526**	**351,462**	**353,664**	**355,729**	**358,249**	**360,254**	**362,226**	**364,611**	**366,298**	**367,755**	**369,587**
Cash and Cash Equivalents	0	0	0	0	0	0	0	0	0	0	0	0
Restricted funds-current	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable net	5,077	4,571	4,797	4,960	4,754	5,430	5,566	5,081	6,141	4,983	4,639	5,240
Unbilled Revenues	2,380	2,369	2,529	2,438	2,697	2,814	2,714	2,892	2,617	2,609	2,523	2,504
Materials and supplies	2,528	2,505	2,528	2,532	2,573	2,618	2,570	2,554	2,575	2,562	2,532	2,565
Assets of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
Other Current Assets	752	648	544	752	648	544	752	648	544	752	648	544
Total Current Assets	**10,737**	**10,093**	**10,398**	**10,682**	**10,673**	**11,406**	**11,603**	**11,175**	**11,877**	**10,907**	**10,342**	**10,853**
Regulatory assets	23,974	23,981	23,987	23,993	24,198	24,203	24,208	24,213	24,218	24,223	24,229	24,234
Operating lease right-of-use assets	2	2	2	2	2	2	2	2	2	2	2	2
Other investments	-	-	-	-	-	-	-	-	-	-	-	-
Restricted Funds - Long-term	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Long Term Assets	95	95	95	95	95	95	95	95	95	95	95	95
Total Regulatory & Other L/T Assets	**24,072**	**24,078**	**24,084**	**24,090**	**24,296**	**24,301**	**24,306**	**24,311**	**24,316**	**24,321**	**24,326**	**24,331**
Total Assets	**379,435**	**380,697**	**385,944**	**388,436**	**390,697**	**393,955**	**396,163**	**397,711**	**400,803**	**401,525**	**402,423**	**404,771**
CAPITAL & LIABILITIES												
Common Stock	13,754	13,754	13,754	13,754	13,754	13,754	13,754	13,754	13,754	13,754	13,754	13,754
Paid in Capital	86,843	86,845	97,882	97,882	97,884	97,922	97,922	97,925	97,963	97,963	97,965	98,004
Retained Earnings	52,131	52,794	51,877	52,947	54,159	53,993	55,506	56,975	56,299	57,562	58,526	56,613
Accumulated other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock	-	-	-	-	-	-	-	-	-	-	-	-
Total Stockholders' equity	152,728	153,393	163,513	164,583	165,797	165,669	167,182	168,654	168,015	169,279	170,246	168,372
Preferred Stock without mandatory redemption requirements	-	-	-	-	-	-	-	-	-	-	-	-
Noncontrolling Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	**152,728**	**153,393**	**163,513**	**164,583**	**165,797**	**165,669**	**167,182**	**168,654**	**168,015**	**169,279**	**170,246**	**168,372**
Long term debt	111,520	111,521	111,523	111,524	131,525	131,526	131,528	131,529	131,530	131,531	131,532	131,534
Redeemable preferred stock at redemption value	-	-	-	-	-	-	-	-	-	-	-	-
Total Long-term debt	**111,520**	**111,521**	**111,523**	**111,524**	**131,525**	**131,526**	**131,528**	**131,529**	**131,530**	**131,531**	**131,532**	**131,534**
Total Capitalization	**264,248**	**264,915**	**275,036**	**276,107**	**297,322**	**297,196**	**298,709**	**300,183**	**299,545**	**300,810**	**301,778**	**299,905**
Short Term Debt	8,261	11,783	17,400	18,434	(1,605)	1,939	2,505	1,985	5,644	4,354	4,289	9,625
Current Portion of Long-term Debt	11,000	11,000	-	-	-	-	-	-	-	-	-	-
Current portion of redeemable stock at redemption value	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Payable	4,236	3,784	4,052	3,819	4,023	4,366	3,884	3,936	4,105	3,960	3,897	4,208
Accrued Liabilities	4,455	4,113	4,237	4,233	4,541	4,411	3,856	4,389	4,380	4,319	4,412	3,565
Taxes Accrued	3,110	874	1,238	1,460	1,996	2,010	2,298	2,859	2,760	3,121	3,548	3,099
Interest Accrued	1,861	2,336	1,599	1,998	2,350	1,649	2,130	2,609	2,112	2,528	2,478	1,806
Liabilities of Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	3,782	3,468	3,908	3,843	3,575	3,805	3,961	2,821	3,233	3,308	2,925	3,357
Total Current Liabilities	**36,704**	**37,358**	**32,434**	**33,786**	**14,880**	**18,180**	**18,634**	**18,599**	**22,235**	**21,590**	**21,549**	**25,661**
Customer Advances for Construction	8,671	8,713	8,754	8,796	8,838	8,879	8,921	8,963	9,004	9,046	9,088	9,129
Deferred Income Taxes	42,931	43,209	43,439	43,676	43,945	44,163	44,388	44,661	44,876	45,099	45,372	45,582
Deferred Investment tax credits	12	11	11	10	9	9	8	8	7	7	6	6
Regulatory liability	14,038	13,863	13,660	13,470	13,314	13,157	13,001	12,849	12,706	12,562	12,422	12,299
Accrued Pension	(2,754)	(2,880)	(2,824)	(2,768)	(2,895)	(2,839)	(2,782)	(2,909)	(2,853)	(2,797)	(2,923)	(2,867)
Accrued postretirement benefit expense	(5,222)	(5,291)	(5,359)	(5,428)	(5,497)	(5,565)	(5,634)	(5,702)	(5,771)	(5,840)	(5,908)	(5,977)
Operating lease liabilities	1	1	1	1	1	1	1	1	1	1	1	1
Other Deferred Credits	591	591	591	591	591	591	591	591	591	591	591	591
Regulatory & Other Long Term Liabilities	**58,268**	**58,216**	**58,272**	**58,347**	**58,306**	**58,396**	**58,494**	**58,460**	**58,561**	**58,669**	**58,648**	**58,763**
Contributions in aid of construction	**20,215**	**20,209**	**20,202**	**20,196**	**20,189**	**20,183**	**20,326**	**20,469**	**20,462**	**20,455**	**20,448**	**20,441**
Total Capital and Liabilities	**379,435**	**380,697**	**385,944**	**388,436**	**390,697**	**393,955**	**396,163**	**397,711**	**400,803**	**401,525**	**402,423**	**404,771**

TN American Water

2024 Budget Income Statement

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
OPERATING REVENUES													
Water revenues	5,068	4,764	5,004	5,226	5,640	5,834	5,992	5,921	5,849	5,670	5,145	5,099	65,211
Sewer revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
Other operating revenues	91	87	94	107	98	98	108	112	108	107	98	84	1,193
Market-Based revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
Management revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating revenues	**5,159**	**4,851**	**5,098**	**5,333**	**5,738**	**5,932**	**6,100**	**6,033**	**5,957**	**5,777**	**5,243**	**5,183**	**66,404**
OPERATIONS & MAINTENANCE EXPENSE													
Purchased water	9	7	6	7	12	19	15	14	13	13	10	10	134
Fuel and Power	102	57	88	101	106	80	81	66	39	122	108	65	1,015
Chemicals	194	174	222	190	226	235	252	277	252	198	178	200	2,599
Waste disposal	32	52	46	36	59	51	41	52	51	31	37	67	555
Total production costs	**337**	**290**	**362**	**335**	**402**	**385**	**389**	**408**	**355**	**365**	**333**	**342**	**4,303**
Salaries & Wages	510	471	508	493	522	494	522	501	517	522	479	538	6,077
Pensions	7	7	7	7	7	7	7	7	7	7	7	7	81
Group insurances	101	101	101	101	101	101	101	101	101	101	101	101	1,215
Other benefits	47	43	41	48	49	40	46	51	44	45	47	47	548
Total employee related	**664**	**622**	**657**	**648**	**679**	**643**	**677**	**660**	**669**	**676**	**633**	**693**	**7,922**
Service Company costs	**658**	**635**	**726**	**632**	**708**	**917**	**650**	**631**	**707**	**651**	**613**	**707**	**8,234**
Contracted services	76	107	110	60	83	104	100	86	89	69	70	97	1,049
Building maintenance and services	22	20	19	18	18	28	26	26	25	24	20	41	288
Telecommunication expenses	17	18	19	18	18	18	19	18	19	19	18	47	247
Postage printing and stationery	1	1	1	1	1	1	1	1	2	1	1	3	19
Office supplies & expenses	13	12	11	11	10	10	15	10	13	13	12	15	145
Advertising & marketing expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee related expense travel & entertainment	9	9	11	9	10	9	10	11	10	9	11	9	117
Miscellaneous expenses	41	38	38	36	43	64	40	45	42	43	45	53	529
Rents	1	2	3	2	2	2	1	2	1	3	3	4	28
Transportation	25	31	32	24	27	27	33	29	32	31	29	32	353
Operating supplies & services	**206**	**238**	**245**	**179**	**212**	**265**	**245**	**229**	**233**	**211**	**210**	**302**	**2,776**
Uncollectible Accounts Exp	30	29	30	31	34	35	36	36	35	34	31	31	391
Customer accounting other	18	18	18	18	18	18	18	18	18	18	18	18	211
Regulatory expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance other than group	103	103	103	103	103	103	103	103	103	103	103	103	1,232
Maintenance service & supplies	111	91	89	65	80	103	49	78	55	114	101	96	1,032
Total operation and maintenance	**2,127**	**2,026**	**2,230**	**2,011**	**2,235**	**2,467**	**2,165**	**2,161**	**2,175**	**2,171**	**2,041**	**2,291**	**26,101**
Depreciation	899	902	903	909	923	912	918	919	920	926	927	928	10,987
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
Removal costs	72	72	72	72	73	73	74	74	74	74	74	75	879
Depreciation and Amortization	**971**	**974**	**975**	**981**	**996**	**986**	**991**	**993**	**994**	**1,000**	**1,002**	**1,003**	**11,866**
General taxes	545	546	538	539	541	537	541	540	538	541	538	539	6,484
Loss (gain) on sale of assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses net	**3,643**	**3,545**	**3,743**	**3,532**	**3,773**	**3,990**	**3,698**	**3,694**	**3,706**	**3,712**	**3,581**	**3,833**	**44,451**
Operating income (loss)	**1,516**	**1,305**	**1,355**	**1,801**	**1,965**	**1,942**	**2,402**	**2,339**	**2,251**	**2,065**	**1,662**	**1,350**	**21,953**
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	425	425	389	389	432	475	475	475	475	475	475	475	5,382
Interest on Short-Term Bank Debt	37	53	79	84	6	10	11	9	23	19	17	37	385
Other Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest net	**462**	**478**	**468**	**473**	**438**	**484**	**486**	**484**	**498**	**493**	**492**	**512**	**5,767**
Nonoperating benefit costs, net	(28)	(28)	(28)	(28)	(28)	(28)	(28)	(28)	(28)	(28)	(28)	(28)	(338)
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for other funds used during construction	15	23	36	44	38	41	45	47	49	52	53	54	498
Allowance for borrowed funds used during construction	15	23	36	43	38	41	44	46	49	51	52	54	490
Amortization of debt expense	13	13	13	13	13	14	14	14	14	14	14	14	161
Other Net	(0)	(0)	(15)	(0)	(0)	(15)	(0)	(0)	(15)	(0)	(0)	(15)	(65)
Total other income (expenses)	(417)	(417)	(396)	(371)	(347)	(403)	(383)	(377)	(401)	(377)	(373)	(405)	(4,667)
Income (loss) before income taxes	**1,098**	**888**	**959**	**1,431**	**1,618**	**1,539**	**2,019**	**1,962**	**1,850**	**1,688**	**1,289**	**945**	**17,286**
Provision for income taxes	277	225	242	361	406	384	507	493	464	424	325	238	4,346
Income (loss) from continuing operations	821	663	717	1,070	1,212	1,155	1,512	1,469	1,386	1,264	964	707	12,940
Income (loss) from discontinued operations - net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	**821**	**663**	**717**	**1,070**	**1,212**	**1,155**	**1,512**	**1,469**	**1,386**	**1,264**	**964**	**707**	**12,940**
Preferred dividend declared	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income available to common stockholders	821	663	717	1,070	1,212	1,155	1,512	1,469	1,386	1,264	964	707	12,940
Common dividends	-	-	1,634	-	-	1,321	-	-	2,062	-	-	2,620	7,637
Current Year Retained Earnings	821	663	(917)	1,070	1,212	(165)	1,512	1,469	(676)	1,264	964	(1,913)	5,303

TN American Water

2024 Budget Strategic Capital Expenditure

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Gross Capital Expenditure	2,558	2,828	5,865	3,138	3,014	3,458	2,950	2,918	3,332	2,640	2,412	2,787	37,900
Contributions	20	20	20	20	20	20	20	170	170	20	20	20	540
Advances	75	75	75	75	75	75	75	75	75	75	75	75	900
Total Contributions Advances	95	95	95	95	95	95	95	245	245	95	95	95	1440
Company Funded Project Expenditure	2,463	2,733	5,770	3,043	2,919	3,363	2,705	2,673	3,237	2,545	2,317	2,692	36,460
Refunds	33	33	33	33	33	33	33	33	33	33	33	33	400
Net Contributions Adv Refunds	62	62	62	62	62	62	62	212	212	62	62	62	1,040
Net Capital Expenditure	2,496	2,767	5,804	3,076	2,953	3,396	2,738	2,706	3,270	2,578	2,351	2,725	36,860
Total Investment in Assets	2,558	2,828	5,865	3,138	3,014	3,458	2,950	2,918	3,332	2,640	2,412	2,787	37,900
Total Capital Expenditure	2,496	2,767	5,804	3,076	2,953	3,396	2,738	2,706	3,270	2,578	2,351	2,725	36,860
A70510000_AFUDC - Equity	15	23	36	44	38	41	45	47	49	52	53	54	498
A85000000_AFUDC Debt	15	23	36	43	38	41	44	46	49	51	52	54	490

TN American Water

2025 Budget Income Statement

	FY 2025
OPERATING REVENUES	
Water revenues	73,045
Sewer revenues	-
Other operating revenues	1,193
Market-Based revenues	-
Management revenues	-
Operating revenues	**74,239**
OPERATIONS & MAINTENANCE EXPENSE	
Purchased water	135
Fuel and Power	1,021
Chemicals	2,615
Waste disposal	558
Total production costs	**4,330**
Salaries & Wages	6,358
Pensions	79
Group insurances	1,278
Other benefits	548
Total employee related	**8,263**
Service Company costs	**8,222**
Contracted services	1,081
Building maintenance and services	288
Telecommunication expenses	247
Postage printing and stationery	19
Office supplies & expenses	145
Advertising & marketing expenses	-
Employee related expense travel & entertainment	117
Miscellaneous expenses	545
Rents	28
Transportation	364
Operating supplies & services	**2,834**
Uncollectible Accounts Exp	483
Customer accounting other	211
Regulatory expense	-
Insurance other than group	1,313
Maintenance service & supplies	1,063
Total operation and maintenance	**26,719**
Depreciation	12,046
Amortization	-
Removal costs	1,002
Depreciation and Amortization	**13,049**
General taxes	7,277
Loss (gain) on sale of assets	-
Impairment charges	-
Total operating expenses net	**47,045**
Operating income (loss)	**27,194**
Interest Income	-
Interest on long-term debt	5,999
Interest on Short-Term Bank Debt	349
Other Interest Expense	-
Interest net	**6,348**
Nonoperating benefit costs, net	(321)
Loss on extinguishment of debt	-
Allowance for other funds used during construction	346
Allowance for borrowed funds used during construction	383
Amortization of debt expense	185
Other Net	(65)
Total other income (expenses)	(5,548)
Income (loss) before income taxes	**21,645**
Provision for income taxes	5,482
Income (loss) from continuing operations	16,164
Income (loss) from discontinued operations - net of tax	-
Net income (loss)	**16,164**
Preferred dividend declared	-
Net income attributable to non-controlling interest	-
Net income available to common stockholders	16,164
Common dividends	9,698
Current Year Retained Earnings	6,465

TN American Water

2025 Budget Balancesheet

	FY 2025
ASSETS	
Utility Plant in Service	544,098
Construction Work in Progress	9,975
Utility Plant Accumulated Depreciation/Amortization	(156,451)
Total Utility Plant Adjustments	(3,815)
Utility property net of accumulatd depreciation	**393,808**
Nonutility property net of accumulatd depreciation	**-**
Total Property Plant and Equipment	**393,808**
Cash and Cash Equivalents	0
Restricted funds-current	-
Accounts receivable net	5,234
Unbilled Revenues	2,958
Materials and supplies	2,565
Assets of discontinued operations	-
Other Current Assets	544
Total Current Assets	**11,300**
Regulatory assets	24,191
Operating lease right-of-use assets	2
Other investments	-
Restricted Funds - Long-term	-
Goodwill	-
Intangible assets	-
Other Long Term Assets	95
Total Regulatory & Other L/T Assets	**24,289**
Total Assets	**429,397**
CAPITAL & LIABILITIES	
Common Stock	13,754
Paid in Capital	101,543
Retained Earnings	63,079
Accumulated other comprehensive income	-
Treasury stock	-
Total Stockholders' equity	178,375
Preferred Stock without mandatory redemption requirements	-
Noncontrolling Interest	-
Total Equity	**178,375**
Long term debt	125,087
Redeemable preferred stock at redemption value	-
Total Long-term debt	**125,087**
Total Capitalization	**303,462**
Short Term Debt	9,280
Current Portion of Long-term Debt	20,700
Current portion of redeemable stock at redemption value	-
Accounts Payable	3,280
Accrued Liabilities	6,922
Taxes Accrued	3,099
Interest Accrued	1,806
Liabilities of Discontinued Operations	-
Other current liabilities	-
Total Current Liabilities	**45,087**
Customer Advances for Construction	9,629
Deferred Income Taxes	46,891
Deferred Investment tax credits	6
Regulatory liability	12,839
Accrued Pension	(2,919)
Accrued postretirement benefit expense	(6,804)
Operating lease liabilities	1
Other Deferred Credits	591
Regulatory & Other Long Term Liabilities	**60,234**
Contributions in aid of construction	**20,613**
Total Capital and Liabilities	**429,397**

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 056

RATE BASE (EXCLUDING WORKING CAPITAL)

Provide schedules showing the development of the average Tennessee account balances listed below for the last fiscal year. (If partially provided in other items, provide the remaining data here.)

a. Utility Plant in Service
b. Construction Work in Progress
c. Inventories
d. Deferred debits
e. Reserves
f. Customer Deposits
g. Interest on Customer Deposits
h. Contributions in Aid of Construction
i. Accumulated Deferred FIT
j. Accumulated Depreciation
k. Accounts Payable applicable to CWIP
l. Accounts Payable applicable to Materials & Supplies
m. Customer Advances
n. Materials and Supplies
o. Accounts Receivable – Other
p. Prepaids

Response:

Please refer to 2024 TAWC MFG Q056_Attachment.

Tennessee American Water Company
Docket No. 24-XXXXX
Average account balances during the test year
2024 TAWC MFG Q056_Attachment

	Description	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Average
a.	UPIS	$ 440,771,271	$ 442,634,125	$ 443,239,250	$ 445,165,364	$ 446,631,827	$ 445,503,175	$ 448,334,232	$ 451,025,117	$ 452,708,208	$ 454,571,488	$ 456,951,570	$ 472,103,892	$ 449,969,960
b.	CWIP	$ 6,745,622	$ 7,395,076	$ 8,147,512	$ 8,354,283	$ 9,002,867	$ 9,223,003	$ 10,078,520	$ 11,414,210	$ 13,088,036	$ 15,358,157	$ 17,880,982	$ 5,201,244	$ 10,157,459
c.	Materials And Supplies Inventories	$ 2,037,349	$ 1,947,773	$ 2,219,357	$ 2,226,964	$ 2,361,242	$ 2,369,566	$ 2,225,008	$ 1,812,580	$ 1,463,974	$ 1,309,990	$ 1,414,949	$ 1,366,374	$ 1,896,261
d.	Deferred Debits	$ 1,962,277	$ 1,953,519	$ 22,980,528	$ 2,035,719	$ 2,039,257	$ 24,010,396	$ 2,015,498	$ 1,895,092	$ 25,049,196	$ 1,554,249	$ 1,554,513	$ 26,196,950	$ 9,437,266
e.	Reserves	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
f.	Customer Deposits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
g.	Interest on Customer Deposits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
h.	Contributions in Aid of Construction	$ 19,279,648	$ 19,988,369	$ 19,994,631	$ 19,971,841	$ 19,954,894	$ 19,945,680	$ 19,931,770	$ 19,924,978	$ 19,916,151	$ 19,891,210	$ 19,877,354	$ 19,955,591	$ 19,886,010
i.	Accumulated Deferred Income Tax	$ 31,751,508	$ 31,740,315	$ 31,248,894	$ 31,340,817	$ 31,478,984	$ 31,564,006	$ 31,640,968	$ 31,796,605	$ 31,891,199	$ 32,006,568	$ 32,093,257	$ 34,416,307	$ 31,914,119
j.	Accumulated Depr. and Amort.	$ 128,432,874	$ 129,398,057	$ 129,940,364	$ 130,890,328	$ 131,840,799	$ 128,614,747	$ 129,451,374	$ 130,376,340	$ 131,303,133	$ 132,318,487	$ 132,950,258	$ 133,769,104	$ 130,773,822
k.	Accounts Payable (total)	$ 3,256,838	$ 1,553,817	$ 2,047,898	$ 2,184,223	$ 3,426,643	$ 3,672,423	$ 2,365,962	$ 2,918,142	$ 2,871,598	$ 2,807,235	$ 3,367,535	$ 3,326,623	$ 2,816,578
l.	Accounts Payable - Material & Supplies (NA- see above)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
m.	Customer Advances	$ 8,511,000	$ 8,561,845	$ 8,297,506	$ 8,396,157	$ 8,396,157	$ 8,505,685	$ 8,566,628	$ 8,533,875	$ 8,716,779	$ 8,631,809	$ 8,950,812	$ 8,599,830	$ 8,555,674
n.	Material & Supplies (see above)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
o.	Accounts Receivable - Other	$ 633,290	$ 1,336,787	$ 774,373	$ 699,550	$ 603,498	$ 500,813	$ 499,022	$ 510,680	$ 597,079	$ 609,020	$ 593,817	$ 576,334	$ 661,189
p.	Prepaids	$ 981,733	$ 769,881	$ 842,584	$ 761,945	$ 608,338	$ 448,410	$ 1,365,739	$ 1,247,449	$ 1,048,102	$ 1,000,775	$ 800,354	$ 630,413	$ 875,477

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 057

RATE BASE (EXCLUDING WORKING CAPITAL)

Provide an explanation and calculation of the method used to allocate to Tennessee any portions included in Item 56 above.

Response:

The only utility plant projects allocated to affiliate regulated companies, are associated with Enterprise Solutions, and are allocated based on the affiliates respective share of total customers.
Customer count as of 12/31/22, which is the basis for 2023 costs incurred, resulted in TAWC receiving 2.70% of such utility plant projects in 2023.

Enterprise Solutions are technology projects that are completed on an enterprise-wide basis for the benefit of all of American Water's operating utilities (including Tennessee-American) and are comprised of investments that upgrade and enhance our foundational technology, as well as customer facing platforms, among others, to continue to provide safe, reliable and efficient service to customers.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Dominic DeGrazia

Question 058

RATE BASE (EXCLUDING WORKING CAPITAL)

Provide the investment, accumulated depreciation, and deferred FIT on all property that is owned by an affiliate of TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company, where applicable, and leased or allocated to TAWC or Multi-state Utility. An operating division of a Multi-State Utility is not an affiliate.

Response:

As an affiliate, American Water Works Service Company, Inc. ("AWWSC") allocates charges to TAWC. Following is the requested data from the books of AWWSC at December 31, 2023:

UPIS	$75,533,064
Accumulated depreciation	$52,984,102
Deferred taxes	$5,317663

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Harold Walker, Dominic DeGrazia

Question 059

WORKING CAPITAL

Has TAWC updated the Lead-Lag Study since its last rate case? If so:

a. Provide a copy of the Lead-Lag Study workpapers.
b. Provide the percentage of the sample tested to the total test period dollar amount for each account in the Lead-Lag Study.
c. Provide a comparison of the Lead-Lag Study used in this case with the Study used in the previous case and explain any major changes.

Response:

a. Please see TAWC Walker EXHIBIT HW-1 for a copy of the Lead-Lag Study workpapers.
b. A sample review was conducted for each expense category and can be found in the file 2024 TAWC MFG Q059_Attachment 1. The average percentage sampled for O&M expenses is 100%.
c. The Lead-Lag Study for this case differs substantially from the 2012 Lead-Lag Study. This is primarily due to the significant length of time between cases, necessitating an updated methodology in how the study is conducted. A detailed comparison of the current and prior Lead-Lag Studies can also be found in the file 2024 TAWC MFG Q059_Attachment 2.

Tennessee American Water Company **2024 TAWC MFGQ059_Attachment 1**

MFG Q059 Part b.

O&M Expense	**Amount Captured**	**Total Expense**	**% Captured**
Purchased Water	$176,427	$177,451	99%
Fuel & Power	2,619,870	871,816	301%
Chemicals	2,264,906	2,505,288	90%
Waste Disposal	696,686	688,679	101%
Labor (Salary)	1,487,105	1,658,008	90%
Labor (Hourly)	3,642,988	4,061,653	90%
Pensions	685,000	587,398	117%
Group Insurance	2,190,360	1,017,800	215%
OPEB	-	(767,063)	0%
Other Benefits	599,132	494,871	121%
Service Company Costs	8,105,422	8,075,310	100%
Contracted Services	1,302,012	990,301	131%
Building Maintenance & Services	221,500	307,330	72%
Telecommunication Expenses	302,154	313,503	96%
Postage	11,912	13,211	90%
Office Supplies	65,268	159,833	41%
Employee related expense	180,343	196,355	92%
Miscellaneous	258,184	635,049	41%
Rents	7,197	8,429	85%
Transportation	494,974	438,484	113%
Customer Accounting	82,506	84,683	97%
IOTG	1,192,132	1,267,232	94%
Maintenance Service & Supplies	413,717	1,219,651	34%
Taxes & Interest			
Property Taxes	3,475,867	3,901,685	89%
Utility Tax	243,452	243,452	100%
Payroll Taxes	663,197	422,483	157%
Long-Term Debt	4,024,642	4,759,960	85%
Short-Term Debt	354,936	354,936	100%
State Income Tax	735,000	(100,507)	-731%
Federal Income Tax	-	497,746	0%
Gross Receipts Tax	1,023,554	985,923	104%
Franchise Tax	-	835,732	0%
O&M Average % Captured			100%

Tennessee American Water Company **2024 TAWC MFG Q059_Attachment 2**

MFG Q059 Part c.

Line No.	Description	Current Case Post Payment or (Lead) Days	Prior Rate Case # 12-00049 Post Payment or (Lead) Days	Current to Prior Case Difference in Days	Explanation For Difference to Prior Case
1	**O&M**				
2	Payrolls Charged to Expense - Hourly	10.5	12.0	(1.5)	
3	Payrolls Charged to Expense - Salary	10.5	12.0	(1.5)	
4	Purchased Water	37.9	51.6	(13.7)	
5	Fuel and Power	28.0	29.2	(1.2)	
6	Chemicals	48.3	22.2	26.1	
7	Waste Disposal	65.7	60.6	5.1	
8	Service Company	(5.0)	(10.2)	5.2	
9	Contract Services	48.5	-	48.5	Not included/separated out in prior case
10	Group Insurance	10.5	(6.2)	16.7	
11	OPEB's	-	10.0	(10.0)	Not included in current case
12	Pensions	(1.2)	20.4	(21.6)	
13	Regulatory Expense	-	71.5	(71.5)	Not included in current case
14	Insurance Other than Group	(59.8)	(71.3)	11.5	
15	Rents	(234.9)	4.8	(239.7)	Only prepaid rents in 2023 actuals
16	General Office Expense	13.9	27.4	(13.5)	
17	Maintenance Expense	12.1	37.1	(25.0)	
18	Miscellaneous Expenses	45.9	30.0	15.9	
19	Building Maintenance and Services	45.2	-	45.2	Not included/separated out in prior case
20	Telecommunication Expenses	21.5	-	21.5	Not included/separated out in prior case
21	Postage, Printing, and Stationary	17.5	-	17.5	Not included/separated out in prior case
22	Employee Related Expense Travel & Entertainment	47.9	-	47.9	Not included/separated out in prior case
23	Customer Accounting	61.8	-	61.8	Not included/separated out in prior case
24	**Taxes & Interest**				
25	Payroll Taxes	10.5	12.0	(1.5)	
26	Property Tax	218.1	237.2	(19.1)	
27	Franchise Tax	44.3	32.3	12.0	
28	Utility Tax	269.0	(101.0)	370.0	Prior case included items not related to utility tax
29	Other	-	12.0	(12.0)	Not included/separated out in prior case
30	Gross Receipts Tax	(157.5)	(156.5)	(1.0)	
31	FIT-Current	36.5	-	36.5	
32	SIT-Current	44.3	-	44.3	
33	Deferred Taxes	-	-	-	Not included/separated out in prior case
34	LTD Interest	92.8	65.5	27.3	Not included/separated out in prior case
35	STD Interest	14.6	-	14.6	Not included/separated out in prior case
36	Preferred Dividends	-	45.1	(45.1)	Not included in current case
37	**Non-Cash**			-	
38	Depreciation and Amortization	-	-	-	
39	Net Income	-	-	-	Not included/separated out in prior case

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Harold Walker, Dominic DeGrazia

Question 060

WORKING CAPITAL

Provide a description of the policy of TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company, with respect to maintaining minimum cash balances. Provide copies of supporting management directives or minutes from directors' meetings supporting such policies.

Response:

The Company utilizes American Water Capital Corp. (AWCC) to provide cash management services. The Company policy is to minimize cash to the lowest level possible. All cash collections are run through the lockbox account and are swept each day to the Company's account at AWCC. The cash is used to cover payments and any excess cash is used to pay down any outstanding short-term debt or in the absence of short-term debt any excess cash is invested on behalf of the Company. This has been the long-standing practice of all AWW subsidiaries, including TAWC.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Harold Walker, Dominic DeGrazia

Question 061

WORKING CAPITAL

Provide a list of all TAWC's checking accounts, identifying the nature and use for each. Provide a copy of all TAWC's bank statements for each month during the test period.

Response:

Confidential response filed under seal.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Bob Lane

Question 062

MERCHANDISE & JOBBING AND OTHER NON-REGULATED OPERATIONS

Explain the nature and extent of each of TAWC's or, where applicable, Multi-state Utility's non-regulated operations.

Response:

TAWC does not have non-regulated operations.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Bob Lane

Question 063

MERCHANDISE & JOBBING AND OTHER NON-REGULATED OPERATIONS

Provide an Income Statement and identify assets devoted to and liabilities specifically arising from non-regulated operations of TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company, for the last two (2) fiscal years. For each year, identify each class of revenue separately (appliance, propane sales, etc.). The statements should include the following information for each year:

a. The direct expense incurred by TAWC for each operation.
b. The general office expense allocated to each operation by TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company
c. All expenses charged to TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company, from the non-regulated activities.
d. All revenues billed by TAWC's regulated operations to the non-regulated operations.

Response:

a. TAWC has not incurred direct expenses related to non-regulated operations.
b. TAWC has not allocated any general office expenses to non-regulated operations.
c. TAWC has not been charged expenses from non-regulated operations.
d. TAWC's regulated operations have not billed for any non-regulated operations.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Bob Lane

Question 064

MERCHANDISE & JOBBING AND OTHER NON-REGULATED OPERATIONS

Provide a complete explanation and calculation of how costs (other than salaries and wages) as requested above were allocated to non-utility operations for the test period and for the period from the end of the test period through the attrition period.

Response:

All assets, liabilities, revenues and expenses on the books and records of TAWC are related to regulated operations of TAWC. Therefore, there are no non-regulated assets, liabilities, expenses and revenues of TAWC included in the historical test period through the attrition period of the Company.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Bob Lane

Question 065

MERCHANDISE & JOBBING AND OTHER NON-REGULATED OPERATIONS

Provide the percentage of non-regulated labor for the test period.

Response:

TAWC does not have non-regulated labor.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 066

COST OF CAPITAL

Provide a calculation of TAWC's, its Parent's, Multi-State Utility's, or Affiliated Utility Service Company's, debt, equity capital and the debt and equity ratios for the last two (2) years. Show long and short-term debt, preferred stock and common equity separately.

Response:

Please refer to 2024 TAWC MFG Q066_Attachment for debt and equity balances and the debt and equity ratios for 2022 and 2023 for TAWC and American Water Works Company, Inc.

Tennessee American Water Company **2024 TAWC MFG Q066_Attachment**
Docket No. 24 -XXXXX
2024 TAWC MFG Q066

Cost of Capital - (Dollars in thousands)

	Tennessee American Water Company (TAWC)			
	as of December 31, 2023		as of December 31, 2022	
Short-term Debt	$8,253	2.92%	$11,947	4.70%
Long-term Debt, includes current portion *	121,191	42.95%	106,249	41.76%
Preferred Stock, without mandatory redemption	0	0.00%	0	0.00%
Common Equity	152,750	54.13%	136,209	53.54%
	$282,193	100.00%	$254,405	100.00%

** Long-term debt is reflected as Carrying Value and adjusted for unamortized debt discount and unamortized debt expense.*

	American Water Works Company, Inc. (AWK)			
	as of December 31, 2023		as of December 31, 2022	
Short-term Debt	$179,000	0.81%	$1,175,000	5.85%
Long-term Debt, includes current portion	12,190,000	54.99%	11,207,000	55.82%
Preferred Stock, with mandatory redemption	3,000	0.01%	3,000	0.01%
Common Equity	9,797,000	44.19%	7,693,000	38.32%
	$22,169,000	100.00%	$20,078,000	100.00%

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 067

COST OF CAPITAL

Provide a copy of any information filed with other Regulatory Commissions (other than the Tennessee Public Utility Commission) where such information describes the Company's debt position and equity position. Provide all data submitted in the last twelve-(12) months and also on a forward-going basis.

Response:

Tennessee American Water Company's debt and equity position has not been described or filed with any other Regulatory Commission.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 068

COST OF CAPITAL

Provide a calculation of the average composite interest cost for the long-term debt and short-term debt for the last two (2) years.

Response:

Please refer to 2024 TAWC MFG Q068_Attachment.

	2022	2023
Short Term-Debt Expense	$ 93,416	$ 354,936
Average Short-Term Debt	5,790,591	7,245,523
Average STD Cost Rate	1.61%	4.90%
Long Term-Debt Expense *	$ 4,575,494	$ 4,888,131
Average Long-Term Debt **	104,544,796	112,488,251
Average LTD Cost Rate	4.38%	4.35%

** Long-term debt expense includes amortization of debt discount expense and amortization of debt expense.*

*** Long-term debt is reflected as Carrying Vale and adjusted for unamortized debt discount and unamortized debt expense.*

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 069

COST OF CAPITAL

Provide a schedule identifying the following for TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company, for the last two (2) fiscal years and adjust for any stock splits:

a. Primary earnings per share
b. Fully diluted earnings per share
c. Dividends per share
d. Book value per share
e. High market price for each year
f. Low market price for each year
g. Average market price for each year

Response:

Please refer to 2024 TAWC MFG Q069_Attachment for a. – g.

Tennessee American Water Company is a wholly owned subsidiary of American Water Works Company, Inc. and as such is not a publicly traded company. Tennessee American does not report on a per share basis as American Water Works Company, Inc. is the sole shareholder. The factors calculated in the referenced attachment are based on American Water Works Company, Inc. average shares outstanding, and the resulting amounts are presented as a hypothetical representation of how Tennessee American Water contributes to the consolidated American Water Works results.

Tennessee American Water Company
Docket No. 24 -XXXXX
2024 TAWC MFG Q069

2024 TAWC MFG Q069_Attachment

	TAWC		AWK	
	2023	2022	2023	2022
	(Unaudited)			
Net Income	$13,717,971	$12,988,440	$944,000,000	$820,000,000
Diluted weighted average common shares outstanding	193,000,000	182,000,000	193,000,000	182,000,000
a. Primary earnings per share [(1)]	$0.07	$0.07	$4.90	$4.51
b. Fully diluted earnings per share	$0.07	$0.07	$4.90	$4.51
Dividends paid	$8,233,045	$9,627,964	$532,000,000	$467,000,000
Diluted weighted average common shares outstanding	193,000,000	182,000,000	193,000,000	182,000,000
c. Dividends per share [(1)]	$0.04	$0.05	$2.78	$2.57
Total Stockholders' Equity	$152,749,510	$136,209,193	$9,797,000,000	$7,693,000,000
Diluted weighted average common shares outstanding	193,000,000	182,000,000	193,000,000	182,000,000
d. Book value per share	$0.79	$0.75	$50.76	$42.27
e. High market price	N/A	N/A	$161.42	$184.14
f. Low market price	N/A	N/A	$115.50	$126.01
g. Average market price	N/A	N/A	$140.08	$151.67

[(1)] Amounts may not calculate due to rounding.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 070

COST OF CAPITAL

Provide a schedule identifying the date and amount of each common stock dividend paid during the last three (3) fiscal years. Include any announced future dividend payments and adjust for any stock splits.

Response:

Please refer to 2024 TAWC MFG Q070_Attachment for common stock dividends from 2021 – 2023.

Tennessee American Water Company
Docket No. 24 -XXXXX
2024 TAWC MFG Q070_Attachment

Dividends Paid

Date:	Amount:
3/31/2021	$962,796
6/29/2021	$1,650,508
9/28/2021	$2,750,847
12/29/2021	$3,025,931
3/31/2022	$1,375,423
6/29/2022	$1,925,593
9/28/2022	$3,163,474
12/29/2022	$3,163,474
3/31/2023	$1,512,966
6/29/2023	$1,960,647
9/28/2023	$1,960,647
12/29/2023	$2,798,785

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 071

COST OF CAPITAL

Provide the computer file showing items below for the Parent, Multi-State Utility, or Affiliated Utility Service Company, for each of the last fifteen (15) fiscal years:

a. Earnings, annual dividends declared, annual dividends paid, book value of common equity, and price of common equity (each item should be shown per average actual common share outstanding, adjusted for stock splits and stock dividends)
b. Rate of return to average common equity
c. Common stock earnings retention ratio
d. For common stock not issued to the public, but issued pursuant to a) tax reduction act stock ownership plans, b) employee stock option plans, and c) dividend reinvestment plans, provide net proceeds per common share issued, and number of shares issued and previously outstanding at the beginning of the year. Provide the information separately for each of the three (3) types of plans and report each plan's information as annual aggregate or as an average and indicate whether you are providing an average or aggregate figure.
e. For those issues of common stock sold to the public and not falling under d. above, provide:
    1) Date of issue
    2) Number of shares issued and previously outstanding for each issue and in the aggregate
    3) Number of shares sold to the public
    4) Gross proceeds per share from the public
    5) Net proceeds per share from the public
    6) Price per share to the public

Response:

Please refer to 2024 TAWC MFG Q071_Attachment.

Tennessee American Water Company
Docket No. 24-00000-GRC
2024 TAWC MFG Q071_Attachment

American Water Works Company, Inc.

(In thousands, except per share data)	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
a. Earnings per share (Diluted)	-$1.39	$1.53	$1.75	$2.01	$2.06	$2.35	$2.64	$2.62	$2.38	$3.15	$3.43	$3.91	$6.95	$4.51	$4.90
1 Annual dividends declared per share	$0.82	$0.86	$1.13	$0.98	$1.12	$1.24	$1.36	$1.50	$1.66	$2.20	$2.00	$1.82	$2.41	$2.62	$2.83
2 Annual dividends paid per share	$0.82	$0.86	$0.90	$1.21	$0.84	$1.21	$1.33	$1.47	$1.62	$1.78	$1.96	$2.15	$2.36	$2.57	$2.78
3 Book value per share	$23.79	$23.57	$23.99	$25.01	$26.40	$27.34	$28.05	$29.15	$30.08	$32.58	$33.82	$35.46	$40.10	$42.27	$50.76
4 Price of common equity per share	$22.41	$23.85	$28.58	$34.50	$39.69	$47.78	$56.52	$66.06	$81.92	$91.13	$106.81	$138.16	$171.17	$170.64	$142.21
Share price at end of the year	$22.41	$25.29	$31.86	$37.13	$42.26	$53.30	$59.75	$72.36	$91.49	$90.77	$122.85	$153.47	$188.86	$152.42	$131.99
b. Rate of return to average common equity	-5.83%	6.59%	7.40%	8.25%	8.05%	8.78%	9.55%	9.12%	8.04%	10.08%	10.36%	11.28%	18.37%	10.94%	10.79%
Net Income	$ (233,083)	$ 267,827	$ 309,613	$ 358,070	$ 369,264	$ 423,108	$ 476,000	$ 468,000	$ 426,000	$ 567,000	$ 621,000	$ 709,000	$ 1,263,000	$ 820,000	$ 944,000
Common Stockholders' Equity	$ 4,000,859	$ 4,127,725	$ 4,235,837	$ 4,443,268	$ 4,727,804	$ 4,915,591	$ 5,049,000	$ 5,218,000	$ 5,385,000	$ 5,864,000	$ 6,121,000	$ 6,454,000	$ 7,298,000	$ 7,693,000	$ 9,797,000
Avg common shares outstanding - diluted	168,164	175,124	176,531	177,671	179,056	179,806	180,000	179,000	179,000	180,000	181,000	182,000	182,000	182,000	193,000
c. Common stock earnings retention ratio															
Formula: (EPS less Div Per Share)/EPS	158.99%	43.79%	35.43%	51.24%	45.63%	47.23%	48.48%	42.75%	30.25%	30.16%	41.69%	53.45%	65.32%	41.91%	42.24%
(In whole dollars, except per share data)															
d. a. Tax Reduction Act Stock Ownership Plan															
1. Net proceeds per common shares issued	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2. Number of shares issued	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3. Outstanding shares at beginning of year	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
b. Employee Stock Ownership and Savings Plans															
1. Net proceeds per common shares issued	$ 16.07	$ 17.45	$ 19.93	$ 20.38	$ 18.07	$ 18.09	$ 26.92	$ 26.25	$ 30.00	$ 34.71	$ 38.93	$ 42.81	$ 35.59	$ 37.48	$ 38.59
2. Number of shares issued	130,000	303,000	604,000	1,264,000	1,338,000	1,039,000	1,300,000	800,000	600,000	461,000	488,000	517,844	394,969	302,325	277,705
3. Outstanding shares at beginning of year	130,000	433,000	1,037,000	2,301,000	3,639,000	4,678,000	5,978,000	6,778,000	7,378,000	7,839,000	8,327,000	8,844,844	9,239,813	9,542,138	9,819,843
c. Dividend Reinvestment and Stock Purchase Plan															
1. Net proceeds per common shares issued	$ -	$ 22.62	$ 28.55	$ 35.10	$ 40.98	$ 48.18	$ 40.00	$ 50.00	$ 80.00	$ 80.00	$ 70.00	$ 146.03	$ 157.14	$ 143.69	$ 138.41
2. Number of shares issued	-	63,000	64,000	60,000	53,000	44,000	100,000	100,000	100,000	100,000	100,000	26,229	18,737	18,572	16,506
3. Outstanding shares at beginning of year	-	63,000	127,000	187,000	240,000	284,000	384,000	484,000	584,000	684,000	784,000	810,229	828,966	847,538	864,044
Cash proceeds received from DRIP	$ -	$ 1,425,000	$ 1,827,000	$ 2,106,000	$ 2,172,000	$ 2,120,000	$ 4,000,000	$ 5,000,000	$ 8,000,000	$ 8,000,000	$ 7,000,000	$ 3,830,307	$ 2,944,404	$ 2,668,651	$ 2,284,610
Cash proceeds from issuances of employee stock plans and DRIP	$ 2,089,000	$ 6,711,000	$ 13,866,000	$ 27,860,000	$ 26,351,000	$ 20,913,000	$ 39,000,000	$ 26,000,000	$ 26,000,000	$ 24,000,000	$ 26,000,000	$ 26,000,000	$ 17,000,000	$ 14,000,000	$ 13,000,000
e. Common Stock issued to the Public															
1. Date of issue	6/10/2009	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4/12/2018	n/a	n/a	n/a	n/a	2/28/2023
2. Number of shares issued and	18,400,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,320,000	n/a	n/a	n/a	n/a	12,650,000
previously outstanding shares	160,000,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	178,042,359	n/a	n/a	n/a	n/a	181,966,530
Total	178,400,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	180,362,359	n/a	n/a	n/a	n/a	194,616,530
3. Number of shares sold to the public	18,400,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,320,000	n/a	n/a	n/a	n/a	12,650,000
4. Gross proceeds per share from the public	$317,400,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	$186,760,000	n/a	n/a	n/a	n/a	$1,714,075,000
5. Net proceeds per share from the public	$307,878,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	$184,115,200	n/a	n/a	n/a	n/a	$1,688,363,875
6. Price per share to the public	$ 17.25	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	$ 80.50	n/a	n/a	n/a	n/a	$ 135.50

Note: Tennessee American Water Company is a wholly owned subsidiary of American Water Works Company, Inc. and as such is not a publicly traded company.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 072

COST OF CAPITAL

In a computer file, provide the balance for the following for each month of the latest fiscal year:

a. Long- and medium-term debt by issue and aggregated
b. Preferred stock by issue and aggregated
c. Common equity

Response:

Please refer to 2024 TAWC MFG Q072_Attachment for long-term debt, including unamortized discount, unamortized debt expense and make-whole premium costs, as well as Equity. There is no preferred stock.

TENNESSEE AMERICAN WATER COMPANY
Docket No. 24-XXXXX
2024 TAWC MFG Q072
Long-term Debt and Equity Schedule
For the Twelve Months Ended December 31, 2023

2024 TAWC MFG Q072_Attachment

Debt Issue Type	Coupon Rate	Issue Date	Maturity Date	Face Amount Outstanding 1/31/2023	Face Amount Outstanding 2/29/2023	Face Amount Outstanding 3/31/2023	Face Amount Outstanding 4/30/2023	Face Amount Outstanding 5/31/2023	Face Amount Outstanding 6/30/2023	Face Amount Outstanding 7/31/2023	Face Amount Outstanding 8/31/2023	Face Amount Outstanding 10/31/2023	Face Amount Outstanding 11/30/2023	Face Amount Outstanding 12/31/2023
General Mortgage Bonds:														
7.84% Series	7.840%	10/4/1996	9/1/2026	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000
Long-Term Debt Issued by AWCC:														
5.90% Series	5.900%	5/19/2011	10/15/2037	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
4.30% Series	4.300%	12/17/2012	12/1/2042	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
3.85% Series	3.850%	11/20/2013	3/1/2024	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
4.30% Series	4.300%	8/14/2014	12/1/2042	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000
4.30% Series	4.300%	8/13/2015	9/1/2045	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
4.00% Series	4.000%	11/17/2016	12/1/2046	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
4.20% Series	4.200%	8/9/2018	9/1/2048	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
3.75% Series	3.750%	9/11/2018	9/1/2028	19,280,321	19,280,321	19,280,321	19,280,321	19,280,321	19,280,321	19,280,321	19,280,321	19,280,321	19,280,321	19,280,321
4.15% Series	4.150%	5/20/2019	6/1/2049	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
3.45% Series	3.450%	4/14/2020	5/1/2050	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
3.25% Series	3.250%	5/14/2021	6/1/2051	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
4.45% Series	4.450%	5/5/2022	6/1/2032	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
3.625% Series	3.625%	8/15/2023	6/15/2026								15,000,000	15,000,000	15,000,000	15,000,000
				107,980,321	107,980,321	107,980,321	107,980,321	107,980,321	107,980,321	107,980,321	122,980,321	122,980,321	122,980,321	122,980,321

Debt Issue Type	Coupon Rate	Issue Date	Maturity Date	Monthly Amortization	Unamortized Discount 1/31/2023	Unamortized Discount 2/29/2023	Unamortized Discount 3/31/2023	Unamortized Discount 4/30/2023	Unamortized Discount 5/31/2023	Unamortized Discount 6/30/2023	Unamortized Discount 7/31/2023	Unamortized Discount 8/31/2023	Unamortized Discount 10/31/2023	Unamortized Discount 11/30/2023	Unamortized Discount 12/31/2023
General Mortgage Bonds:															
7.84% Series	7.840%	10/4/1996	9/1/2026	-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Debt Issued by AWCC:															
5.90% Series	5.900%	5/19/2011	10/15/2037	10.11	2,396	2,386	2,376	2,366	2,356	2,346	2,336	2,326	2,305	2,295	2,285
4.30% Series	4.300%	12/17/2012	12/1/2042	355.77	4,635	4,279	3,923	3,568	3,212	2,856	2,500	2,145	1,433	1,077	721
3.85% Series	3.850%	11/20/2013	3/1/2024	-	-	-	-	-	-	-	-	-	-	-	-
4.30% Series	4.300%	8/14/2014	12/1/2042	127.09	30,247	30,120	29,993	29,866	29,739	29,611	29,484	29,357	29,103	28,976	28,849
4.30% Series	4.300%	8/13/2015	9/1/2045	515.93	138,013	137,497	136,981	136,465	135,949	135,433	134,917	134,401	133,369	132,853	132,337
4.00% Series	4.000%	11/17/2016	12/1/2046	184.65	52,810	52,625	52,440	52,256	52,071	51,886	51,702	51,517	51,148	50,963	50,779
4.20% Series	4.200%	8/9/2018	9/1/2048	7.51	2,309	2,302	2,294	2,287	2,279	2,272	2,264	2,257	2,242	2,234	2,227
3.75% Series	3.750%	9/11/2018	9/1/2028	30.61	2,046	2,016	1,985	1,954	1,924	1,893	1,862	1,832	1,771	1,740	1,709
4.15% Series	4.150%	5/20/2019	6/1/2049	88.24	27,885	27,797	27,709	27,620	27,532	27,444	27,356	27,267	27,091	27,003	26,914
3.45% Series	3.450%	4/14/2020	5/1/2050	22.85	7,473	7,450	7,427	7,404	7,382	7,359	7,336	7,313	7,267	7,244	7,222
3.25% Series	3.250%	5/14/2021	6/1/2051	119.40	40,594	40,475	40,356	40,236	40,117	39,997	39,878	39,759	39,520	39,400	39,281
4.45% Series	4.450%	5/5/2022	6/1/2032	131.14	14,687	14,556	14,425	14,294	14,163	14,032	13,900	13,769	13,507	13,376	13,245
3.625% Series	3.625%	8/15/2023	6/15/2026	-								-	-	-	-
				1,593	323,096	321,503	319,909	318,316	316,723	315,129	313,536	311,943	308,756	307,163	305,570

Debt Issue Type	Coupon Rate	Issue Date	Maturity Date	Monthly Amortization	Unamortized Debt Expense 1/31/2023	Unamortized Debt Expense 2/29/2023	Unamortized Debt Expense 3/31/2023	Unamortized Debt Expense 4/30/2023	Unamortized Debt Expense 5/31/2023	Unamortized Debt Expense 6/30/2023	Unamortized Debt Expense 7/31/2023	Unamortized Debt Expense 8/31/2023	Unamortized Debt Expense 10/31/2023	Unamortized Debt Expense 11/30/2023	Unamortized Debt Expense 12/31/2023
General Mortgage Bonds:															
7.84% Series	7.840%	10/4/1996	9/1/2026	187.82	8,113.97	7,938.53	7,731.77	7,543.95	7,356.13	7,168.31	6,980.49	6,792.72	6,417.08	6,229.26	6,041.46
Long-Term Debt Issued by AWCC:															
5.90% Series	5.900%	5/19/2011	10/15/2037	250.20	44,202	43,968	43,693	43,443	43,192	42,942	42,692	42,442	41,941	41,691	41,441
4.30% Series	4.300%	12/17/2012	12/1/2042	56.69	13,505	13,452	13,389	13,333	13,276	13,219	13,163	13,106	12,992	12,936	12,879
3.85% Series	3.850%	11/20/2013	3/1/2024	692.76	9,149	8,501	7,736	7,043	6,351	5,658	4,965	4,272	2,887	2,194	1,501
4.30% Series	4.300%	8/14/2014	12/1/2042	325.55	77,546	77,242	76,884	76,559	76,233	75,908	75,582	75,256	74,605	74,280	73,954
4.30% Series	4.300%	8/13/2015	9/1/2045	406.88	110,345	109,965	109,518	109,111	108,704	108,297	107,890	107,483	106,670	106,263	105,856
4.00% Series	4.000%	11/17/2016	12/1/2046	233.00	66,686	66,468	66,212	65,979	65,746	65,513	65,280	65,047	64,581	64,348	64,115
4.20% Series	4.200%	8/9/2018	9/1/2048	144.60	44,420	44,285	44,126	43,981	43,837	43,692	43,548	43,403	43,114	42,969	42,825

3.75% Series	3.750%	9/11/2018	9/1/2028	1,317.60	88,545	87,314	85,864	84,547	83,229	81,911	80,594	79,276	76,641	75,323	74,006
4.15% Series	4.150%	5/20/2019	6/1/2049	173.45	54,840	54,678	54,487	54,314	54,140	53,967	53,793	53,620	53,273	53,099	52,926
3.45% Series	3.450%	4/14/2020	5/1/2050	117.54	38,451	38,341	38,212	38,094	37,977	37,859	37,742	37,624	37,389	37,272	37,154
3.25% Series	3.250%	5/14/2021	6/1/2051	443.79	150,932	150,518	150,030	149,586	149,142	148,698	148,254	147,811	146,923	146,479	146,036
4.45% Series	4.450%	5/5/2022	6/1/2032	350.25	39,251	38,924	38,539	38,189	37,838	37,488	37,138	36,788	36,087	35,737	35,387
3.625% Series	3.625%	8/15/2023	6/15/2026	6,278.76								179,192	197,781	191,502	185,223
Carry Over:															
BD260027		12/1/2014	12/1/2042	941.06	224,004	223,063	222,122	221,181	220,240	219,298	218,357	217,416	215,534	214,593	213,652
BD260028		12/1/2015	12/1/2045	982.89	269,277	268,294	267,311	266,328	265,345	264,362	263,380	262,397	260,431	259,448	258,465
BD260026		9/11/2018	9/1/2028	24.97	1,674	1,649	1,624	1,599	1,574	1,549	1,524	1,499	1,449	1,424	1,399
Make Whole Premium:															
3.75% Series	3.750%	9/11/2018	9/1/2028	2,336.01	156,513	154,177	151,840	149,504	147,168	144,832	142,496	140,160	135,488	133,152	130,816
				15,264	1,397,452	1,388,778	1,379,319	1,370,334	1,361,349	1,352,364	1,343,379	1,513,585	1,514,204	1,498,941	1,483,677

	Equity 1/31/2023	Equity 2/29/2023	Equity 3/31/2023	Equity 4/30/2023	Equity 5/31/2023	Equity 6/30/2023	Equity 7/31/2023	Equity 8/31/2023	Equity 10/31/2023	Equity 11/30/2023	Equity 12/31/2023
Common Stock	13,754,235	13,754,235	13,754,235	13,754,235	13,754,235	13,754,235	13,754,235	13,754,235	13,754,235	13,754,235	13,754,235
Paid in Capital	75,754,015	75,756,070	86,777,482	86,777,482	86,780,040	86,809,406	86,809,406	86,809,406	86,809,406	86,809,406	86,809,406
Retained Earnings	48,161,774	49,164,241	48,530,072	49,571,017	50,862,048	50,342,925	51,575,731	53,022,725	53,693,131	54,694,546	52,185,869
Total Equity	137,670,024	138,674,546	149,061,789	150,102,734	151,396,323	150,906,565	152,139,371	153,586,366	154,256,772	155,258,187	152,749,510

Tennessee American Water Company
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Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 073

COST OF CAPITAL

In a computer file, provide a schedule, for each month of the latest fiscal year, showing interest rates, dividend rates, the monthly amortization of discount, premium and issuance expense and the monthly unamortized balances of discount, premium and issuance expense for long-term debt and preferred stock identified in response to the item above. Specifically, be sure to provide in your response for each month the balances by issue for unamortized discount, premium, and issuance expense for all of the Parent's, Multi-State Utility's, or Affiliated Utility Service Company's long- and medium-term debt and preferred stock, if any.

Response:

MFG Q073 – Confidential attachments filed under seal.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 074

COST OF CAPITAL

In a computer file, provide for each month of the latest fiscal year the balances of capital surplus. Separate the surplus between common and preferred stock. For purposes of this request, "capital surplus" means amounts paid in that are less than or are in excess of par value of the respective stock issues.

Response:

Please refer to 2024 TAWC MFG Q074_Attachment for monthly 2023 balances of capital surplus.

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2024 TAWC MFG Q074_Attachment

	2023 Capital Surplus	
	Common Stock	Preferred Stock
January	75,754,015	0
February	75,756,070	0
March	86,777,482	0
April	86,777,482	0
May	86,780,040	0
June	86,809,406	0
July	86,809,406	0
August	86,809,406	0
September	86,809,406	0
October	86,809,406	0
November	86,809,406	0
December	86,809,406	0

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Responsible Witness: Nick Furia

Question 075

COST OF CAPITAL

In a computer file, provide unamortized balances, if any, on the gain or loss on reacquired preferred or preference stock for each month in the latest fiscal year. Clearly identify the issue for each unamortized balance.

Response:

Tennessee American Water Company does not have any preferred stock or unamortized balances on the gain or loss on reacquired preferred stock.

Tennessee American Water Company
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Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 076

COST OF CAPITAL

In a computer file, provide the monthly amortization of any gain or loss on reacquired preferred or preference stock, if any, for each month of the latest fiscal year.

Response:

Tennessee American Water Company does not have any preferred stock or monthly amortization of any gain or loss on reacquired preferred stock.

Tennessee American Water Company
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Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 077

COST OF CAPITAL

In a computer file, provide the unamortized balances, if any, of gain or loss in reacquired long-term debt for each month in the latest fiscal year. Be sure to clearly identify the issue for each unamortized balance.

Response:

Please refer to the response in 2024 TAWC MFG Q072 and the 2024 TAWC MFG Q072_Attachment for the unamortized make-whole premium balance and monthly amortization of the 3.75% Series bond issued on 9/11/2018 and due to mature on 9/1/2028.

Tennessee American Water Company
Docket No. 24-XXXXX
Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 078

COST OF CAPITAL

In a computer file, provide the monthly amortization, if any, of the gain or loss on reacquired long-term debt for each month of the latest fiscal year.

Response:

Please refer to the response in 2024 TAWC MFG Q072 and the 2024 TAWC MFG Q072_Attachment for the unamortized make-whole premium balance and monthly amortization of the 3.75% Series bond issued on 9/11/2018 and due to mature on 9/1/2028.

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Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 079

COST OF CAPITAL

If applicable, provide the amount of return on investment billed to TAWC by any affiliate of TAWC for the latest fiscal year and for the attrition period. Include in your response a calculation of the return on equity percent and the account charged for the return amount. As used in this item, "affiliate" means any entity that controls, is controlled by, or is under common control with TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company.

Response:

There is no return on investment billed to TAWC by any affiliate of TAWC for 2023 or for 2025.

Please see MFG Q013 for the affiliate's costs.

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Responsible Witness: Nick Furia

Question 080

COST OF CAPITAL

For the latest two (2) fiscal years and for each month to the present for which data is available, provide a monthly listing of the shares of common stock sold by TAWC directly to investors and shareholders. Separate the monthly listing between stock sold through the Stock Purchase Plan of TAWC and stock sold through the Dividend Reinvestment Plan of TAWC.

Response:

Tennessee American Water Company is a wholly owned subsidiary of American Water Works Company, Inc. and as such is not a publicly traded company. TAWC has not issued shares of common stock.

Tennessee American Water Company
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Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 081

COST OF CAPITAL

Provide copies of TAWC's projected annual equity ratio for the next five (5) fiscal years.

Response:

The annual equity ratios for years 2024 – 2028 are provided, as well as the 13-month average for each year in the table below:

Year	Projected Equity Ratio Annual:	Projected Equity Ratio 13-month Average:
2024	54.4%	55.6%
2025	53.5%	54.5%
2026	53.7%	53.9%
2027	54.2%	54.3%
2028	54.2%	54.5%

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Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 082

COST OF CAPITAL

Provide copies of TAWC's projected new stock and debt issues for the next five (5) fiscal years.

Response:

The projected equity infusions and new debt issuances for years 2024 – 2028 are provided in the tables below:

Year	Projected Equity Infusions:
2024	$9,000,000
2025	$4,000,000
2026	$7,000,000
2027	$10,000,000
2028	$5,000,000

Year	Projected New Long-term Debt Issuances:
2024	$20,000,000
2025	$14,000,000
2026	$12,000,000
2027	$11,000,000
2028	$30,000,000

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Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 083

COST OF CAPITAL

Provide copies of TAWC's projected annual dividends per share of common stock for the next five (5) fiscal years.

Response:

Tennessee American Water Company is a wholly owned subsidiary of American Water Works Company, Inc. and as such is not a publicly traded company. Tennessee American does not report on a dividends per share basis as American Water Works Company, Inc. is the sole shareholder.

American Water Works Company, Inc. publicly communicates its targeted dividend payout ratio of 55%-60%.

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Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 084

COST OF CAPITAL

If material to the Tennessee Operations, provide copies of projected annual earnings per share of common stock for the next five (5) fiscal years.

Response:

Tennessee American Water Company is a wholly owned subsidiary of American Water Works Company, Inc. and as such is not a publicly traded company. Tennessee American does not report on an earnings per share basis as American Water Works Company, Inc. is the sole shareholder.

Tennessee American Water Company
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Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 085

COST OF CAPITAL

If not provided in response to Item 4, provide the most recent 10K filed with the SEC.

Response:

Please refer to the response in 2024 TAWC MFG Q004. 2024 TAWC MFG Q004_Attachment 13 includes the most recent 10K filed with the SEC.

Tennessee American Water Company
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Tennessee Regulatory Authority
Minimum Filing Guidelines

Responsible Witness: Nick Furia

Question 086

COST OF CAPITAL

Provide the number of stockholders of record for TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company for the last ten (10) fiscal years.

Response:

The below table includes the number of stockholders of record for TAWC and American Water Works Company, Inc.

	Tennessee American Water Company		American Water Works Company, Inc.	
Year	**Common**	**Preferred**	**Common**	**Preferred**
2014	1	0	2,101	0
2015	1	0	2,307	0
2016	1	0	2,612	0
2017	1	0	2,501	0
2018	1	0	2,623	0
2019	1	0	2,567	0
2020	1	0	2,467	0
2021	1	0	2,353	0
2022	1	0	2,248	0
2023	1	0	2,122	0

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

PETITION OF TENNESSEE-AMERICAN WATER COMPANY TO CHANGE AND INCREASE CERTAIN RATES AND CHARGES	))))	**DOCKET NO. 24-_____**

VERIFICATION

STATE OF Tennessee)
)
COUNTY OF Hamilton)

I, ROBERT C. LANE, Sr. Manager, Rates and Regulatory for Tennessee-American Water Company, do hereby certify that the foregoing responses to the Minimum Filing Guidelines from the Tennessee Public Utility Commission were prepared by me or under my supervision and are true and accurate to the best of my knowledge, information, and belief.

ROBERT C. LANE

Sworn to and subscribed before me
this 25th day of April, 2024.

Notary Public

My Commission Expires: 2-28-28

TARA WATSON
STATE OF TENNESSEE NOTARY PUBLIC
HAMILTON COUNTY